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CONGRESSIONAL OVERSIGHT OF ADMINISTRATION: THE POWER OF THE PURSE I

LEGISLATIVE oversight of administration is a familiar and well-grounded assumption of responsible government. Accepted, too, is the corollary that the need for such oversight increases with executive initiative in policy and the delegation of discretion under the broad terms of statutes. But the actualities of legislative oversight have been insufficiently examined and its hazards and proper limits have received too little attention. The moods and methods of the new Congress sharpen an old question to a pressing issue.[1]

Congress shows novel zest for staffs of its own. In various ways, it seeks to attach strings to action. How far can this double tendency be pushed under the presidential form of government without creating ambiguities of administrative responsibility? There is a related and deeper difficulty. Can a legislative body—the institutional virtue of which lies in the decentralized choice and diffused responsiveness of its individual members—act on details otherwise than through small groups within itself which, by their special biases, may distort the application of public policy and even destroy its integrity? Public policy must be fused from the localisms inherent in popular

[1] The present article—concerned especially with supervision through the appropriations committees of Congress—is the first of a series in which various aspects of legislative oversight of administration will be considered. The assistance that the author has derived from conversations for background purposes with two score members of Congress, among others, is not less appreciated because their help must remain anonymous.

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representative bodies; it must then be carried out with as much wholeness as possible. Mighty issues appear in the present assertiveness of Congress. Welcome as are the stirrings from the lethargy of its own institutional tradition, its restlessness holds at least as much portent as promise.

I

There has been a significant change of emphasis in the Congressional attitude toward administrative discretion and its control. Originally, legislative suspicion and reluctance were reflected in the detailed character of statute law. But, especially in dealing with the flux of economic relations, leeway for administrative determinations was inevitable. The disposition then was to seek checks through the courts; in Congress this reaction reached a climax in the bill vetoed by the President late in 1940. A new stress is rising in crescendo in the Congress of 1943. The weight is no longer on the initial insertion of statutory detail or upon judicial review. Rather, the legislative body itself seeks to be continuously a participant in guiding administrative conduct and the exercise of discretion. The cords that Congress now seeks to attach to administrative action are not merely the pre-drawn "leading-strings of statutes" of which Woodrow Wilson wrote in *Congressional Government*. The novel feature of the attempted relationship is its immediacy.

The shift of emphasis just described affects one's perspective on the purposes of legislative oversight of administration. In the theory of the matter, four types of objective have been recognized. First, the objective of legislative oversight may be to check dishonesty or waste. Especially is this important when the stream of supervision within the administrative system is poisoned near its source. Apart from checking malfeasance, moreover, legislators have opportunities to see the results of governmental programs; at times they can serve administration almost as a supplementary inspectorate. Second, the objective of legislative oversight may be to guard against unsympathetic or perhaps merely over-zealous attitudes among

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officials which produce harsh or callous administration. Third, the ideal of legislative oversight has assumed that the non-special minds of legislators, brought to bear upon the administrative routines, may challenge the means in terms of a broad and realistic sense of ends. It may freshen inventiveness as to the means themselves; at least it may rebuke stupidity. Fourth, the objective of legislative oversight may be to see that there is compliance with the legislative intent as embodied in law. This is the face of the theory that is high-lighted by the events of the hour.

Within the notion of enforcing compliance with legislative intent a shift is discernible. Formerly compliance meant legality and this was enforced by methods which were essentially external to Congress: the courts, the General Accounting Office as a vast routinized bureau, the Department of Justice, the Treasury controls, and the departmental fiscal offices. Now the legislative intent that is conceived is one of incompletely resolved policy. Without withdrawing power, the Congress seeks in sundry ways to claim what it gave; it asserts the right of continuous intervention.

It is worth pausing to review in baldest fashion some of the methods by which continuous intervention is now essayed.[2] Clues may be drawn from measures or proposals in Congress since January 1943. (1) The amendment of statutes is a method of oversight; as Dr. Elias Huzar has very cogently shown, there is no sharp borderline between legislation and supervision.[3] Recently amendments to wartime laws have been provoked by particular incidents and have cracked like warning

[2] The listing deliberately omits reference to the growing use of the concurrent resolution, especially as an alternative method provided in wartime statutes for their own termination, since this device does not assert active intervention in details of administration. See John D. Millett and Lindsay Rogers, "The Legislative Veto and the Reorganization Act of 1939", *Public Administration Review*, Winter 1941, vol. 1, pp. 176-89. Likewise, for somewhat similar reasons, the enumeration in the text does not mention requirements for the submission of reports, although interesting developments in this regard have taken place.

[3] "Legislative Control over Administration: Congress and the W. P. A.", *American Political Science Review*, February 1942, vol. 36, pp. 51-67.

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whips. (2) Meanwhile Congressional investigations multiply. There is no novelty in this safeguard of free government, but some persons are agitating for a unification of inquiries into the conduct of the war. The thought now is less the convenience of administrators harassed by multiple hearings than the possibility of creating a single instrument of potent influence.[4] (3) The standing legislative committees summon administrators to explain and justify decisions, past and pending. A special House committee investigates the extent to which administrative directives have been inconsistent with law, or arbitrary.[5] Some members of Congress are urging that the standing committees should be permanently empowered to watch and perhaps censor the exercise of administrative discretion in their respective fields of jurisdiction.[6] Others, however, propose more inclusive organs for the exercise of continuous scrutiny.[7] (4) Related in spirit, being a likely opening for intervention in administration, is the preposterous but formidable move to broaden senatorial confirmation of appointments.[8]

[4] H. Res. 19, 78th Cong., 1st Sess., introduced by Representative Dirksen on January 6, 1943, proposes to explore this theme, among others. No attempt is made to mention here numerous resolutions for inquiry into post-war conditions and policies, international and domestic; for their purpose is to assert legislative initiative in planning, not control of administration directly.

[5] A special House committee of seven, headed by Howard Smith of Virginia, was authorized on February 11, 1943 by H. Res. 102, adopted by a vote of 294 to 50. *Congressional Record*, 78th Cong., 1st Sess., vol. 89, p. 925 (daily edition). The resolution states: "The said committee shall report to the Congress from time to time the results of such investigations and such recommendations as they see fit with respect to the personnel of those administering any such department or independent agency, or shall recommend such legislation or amendments to existing legislation as they may deem desirable."

[6] See especially Jerry Voorhis' H. Res. 27, introduced in the 78th Congress on January 6, 1943, *Congressional Record*, p. 931 (daily edition). See also H. Res. 186 (Lewis) and H. Res. 93 (Fulmer), the latter applying only to the Agricultural Committee; also, as an example of committee censure, House Report No. 208.

[7] H. J. Res. 66, introduced by Representative Dirksen on January 25, 1943, proposing a "Joint Committee on Administrative Review".

[8] Already imposed for all positions paid $4,500 or over in the Manpower Commission by Public No. 763, 77th Cong., 2nd Sess., approved by the President with a protest, October 26, 1942. Senator McKellar's general bill in the

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(5) Meanwhile Congress begins to talk of staffing,[9] but with many shades of opinion about its nature and nexus: whether the personnel should be permanent or transitory and how appointed, whether the attachment should be to committees, and if so to which committees, or should be to the chambers as wholes but singly, or to joint agencies of House and Senate.[10]

(6) But outstanding as practical developments have been steps actually taken to enlarge the facilities and duties of the committees on appropriations.

On February 11, 1943, the House authorized the employment of staff by the Committee on Appropriations and subsequently made $100,000 available for the purpose.[11] The investigations, it was said, were to be "pre-appropriation", conducted through studies without hearings, and "limited strictly to matters within the jurisdiction of the Committee on Appropriations." The staff was to be essentially a rotating one, consisting of persons drawn temporarily from various governmental agencies. "While the committee will have authority to employ personnel without restriction," said the chairman, "under

78th Congress, S. 375, was reported favorably by the Senate Committee on Judiciary, March 3, 1943, nine to five.

[9] See Lindsay Rogers, "The Staffing of Congress", POLITICAL SCIENCE QUARTERLY, March 1941, vol. 56, pp. 1-22.

[10] Among other proposals in the 78th Congress, see H. R. 83 (Lanham), for an "Office of Fiscal Investigation"; H. R. 30 (Dirksen), for a "Federal Efficiency Service" in the GAO; H. J. Res. 57 (Dirksen), for "research secretaries" to committees through the Legislative Reference Service; S. 764 (Tydings), for a "Joint Committee on Appropriations"; and H. Conc. Res. 8 (Dirksen), for a "Joint Committee on Economy and Efficiency".

[11] H. Res. 69, 78th Cong., 1st Sess., *Congressional Record*, vol. 89, p. 930 (daily edition), implemented by H. Res. 116, adopted February 18, p. 1143. Clarence Cannon, chairman of the Appropriations Committee, after remarking that the better staffing of the committee had been long under consideration, said in explanation: "The delay in reaching some earlier solution of the matter has been largely occasioned by two major difficulties, the difficulty of building up an organization which through its intimate association with the members of the committee would slowly but surely increase its salaries, its personnel, and its jurisdiction until it became in effect a Frankenstein which could not be controlled or dislodged, and, second, the establishment of an organization amenable to political manipulation which could be used for partisan purposes", p. 928 (daily edition).

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the plan agreed upon all auditors and examiners will be appointed from those now serving in civil-service positions." [12] Such an improvised group of investigators was soon looking into the affairs of the hapless Farm Security Administration and the Rural Electrification Administration.

Even more pregnant with the spirit of detailed intervention in administration was the power vested in the House Committee on Appropriations by a resolution of February 9, 1943. It directed:

> That the Committee on Appropriations, acting through a special subcommittee thereof appointed by the chairman of such committee for the purposes of this resolution, is authorized and directed to examine into any and all allegations or charges that certain persons in the employ of the several executive departments and other executive agencies are unfit to continue in such employment by reason of their present association or membership or past association or membership in or with organizations whose aims or purposes are or have been subversive to the Government of the United States.[13]

As to the use of the information thus gained, the resolution was vague: "Such examination shall be pursued with the view of obtaining all available evidence bearing upon each particular case and reporting to the House the conclusions of the committee with respect to each such case in the light of the factual evidence obtained." But there was the added ominous provision: "Any legislation approved by the committee as a result of this resolution may be incorporated in any general or special appropriation measure emanating from such committee or may be offered as a committee amendment to any such measure notwithstanding the provisions of clause 2 of rule XXI." [14]

Behind this organized action lay a series of sporadic incidents in which at least the attempt had been made to insert in

[12] *Congressional Record*, vol. 89, p. 1143 (daily edition).

[13] 78th Cong., 1st Sess., H. Res. 105, *Congressional Record*, vol. 89, p. 780 (daily edition). See also Chairman Cannon's explanation at p. 747.

[14] The rule states: "Nor shall any provision changing existing law be in order in any general appropriation bill or in any amendment thereto."

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general appropriation acts limitations that prevented the employment of specified individuals. In the relief appropriation act passed in 1941, the sally begun on the floor of the House had actually succeeded; and the mighty hand of Congress, in bestowing more than three quarters of a billion dollars, expressly forbade the employment of one named individual in its administration.[15] The various attempts to outlaw by name the employment of individuals are, of course, hardly distinguishable below the surface from uncounted instances in which appropriations for particular units have been trimmed or eliminated for reasons that were at least partly personal.[16] Often the pressures of the purse-power have been even more indirect.

It is not easy for the shamed observer of recent events to discuss this matter at all. He does not wish to spread injustice by echoing the names that have been so casually and cruelly bandied in stigmatizing debate. Representative Anderson of New Mexico has truly said "that the only thing that many of these people have in the world is a good name."[17] Indeed, there was understatement in Representative Folger's comment that "It is not a little thing for this Congress to find by solemn vote that a man who is an American citizen . . . is unworthy to hold a position of trust or honor in the United States of America."[18] Quite apart from any constitutional question involved, the observer gags on the logic of the House member who, quite typi-

[15] The act attached to the clause that carried $875,000,000 almost as one great fund the following: "Provided, that no part of any appropriation contained in this act shall be used to pay the compensation of ———— ————," naming the *former* head of the Workers' Alliance. Introduced by Representative Dirksen, the proviso was adopted on June 12, 1941 after considerable debate, by a vote of 131 to 88. *Congressional Record*, 77th Cong., 1st Sess., vol. 87, pp. 5110-13.

[16] For example, see the cut made by the House in the item for the research and power planning branch of the power division in the Interior Department appropriation bill for 1943. *Congressional Record*, 77th Cong., 2nd Sess., vol. 88, pp. 2890-97, 2926-33. For Secretary Ickes' very vigorous protest, see 77th Cong., 2nd Sess., Senate Committee on Appropriations, *Hearings before a subcommittee on the Department of the Interior appropriation bill for 1943*, p. 25.

[17] *Congressional Record*, 78th Cong., 1st Sess., vol. 89, p. 3088 (daily edition), April 7, 1943.

[18] *Ibid.*, p. 3090 (daily edition).

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cally, said: "If a man is an employee of this Government and if some people have seen fit to question his loyalty, and knowing, as I do, that he has no property right in the job which he holds, why can I not, as a Member of this House, vote to have him taken from the payroll?" [19] Yet only by naming those who have been included in the 1943 attacks could the perspective and proportions of alarms in Congress be revealed. Wide indeed has become the net which, in the course of the expenditure of half a million dollars by the Dies committee, has been woven from such sleazy fabric as letterheads drawn from a period when decent and prescient men, alive to the mortal danger of the world, even then starkly to be seen in Spain, often had to choose between silence and taking a stand through improvised and shifting organizations. This does not deny that the active membership in a disciplined exotic party may create problems of crisscrossing loyalty which may genuinely embarrass an administrative hierarchy. But this important if limited aspect—involving issues in the relationship of ends and means—seems to be hopelessly lost in an undiscriminating Congressional recoil from critics, partial as well as complete, of what Representative John E. Rankin has called "our capitalist form of government." Ironically, the author of this curious constitutional phrase himself qualifies its political realism by standing as a foremost champion of the TVA and public power.

The unreckoning mood impending in the House was shown in the circumstance that led to the creation of the Appropriations subcommittee under the resolution of February 9. The House was then considering the Treasury and Post Office appropriation bill—the first of the regular money measures to reach the floor in the new Congress. On February 4 Representative Hendricks proposed an amendment "that no part of any appropriation in this act shall be used to pay the compen-

[19] *Ibid.*, p. 693 (daily edition), February 5, 1943. This member had voted shortly before to bar 38 named persons from employment under the national government although he said, "I did not of necessity believe the charges that I have heard." For him, it was enough that they had been made; there were many worthy candidates for the public service about whom no question at all had been raised.

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sation of . . .", listing thirty-eight persons by name. They had been mentioned by Representative Dies in a speech a few days before. Only one was employed at the time in the departments covered by the bill. The others were included, it was said, "to prevent hedge-hopping." On the following day, after debate, the amendment failed by only seven votes.[20] Thereupon, by a margin of fifty-two, the committee of the whole inserted an amendment aimed specifically at the single person who was employed by the Treasury—a Negro leader in the war savings organization.[21] In the course of the discussion on the original amendment, the chairman of Appropriations said, "We are all in thorough sympathy with the purpose of this amendment."[22] But he added, "The question immediately before us is the penalizing of thirty-eight men of whom we have never heard before, and here for the first time called to our attention by this unexpected amendment." He promised a formula "in keeping with our American institutions", if one could be agreed upon with the ranking minority member of his committee.

The "orderly procedure" for which Chairman Cannon pleaded was offered to the House a few days later in the resolution already described. A subcommittee of five members, with Representative Kerr of North Carolina as chairman, undertook to examine masses of material assembled by the Dies committee, the Department of Justice, an interdepartmental committee, and the Civil Service Commission. On April 7, when the House was taking up another of the regular bills, and still the subcommittee had not reported, Representative Dirksen, hot and angry on the scented trail, wondered what the subcommittee had been doing about "names I propose to bring into this well unless some action is taken reasonably soon."[23] The chairman of the subcommittee confessed that it was "a

[20] *Congressional Record*, 78th Cong., 1st Sess., vol. 89, p. 691 (daily edition). The first vote was 130 to 137; with tellers, it stood 146 to 153.

[21] *Ibid.*, p. 691 (daily edition). The vote was 163 to 111. This proviso was later dropped.

[22] *Ibid.*, p. 690 (daily edition).

[23] *Ibid.*, p. 3085 (daily edition).

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great deal larger job than any of us thought we had to undertake." Another member said that "we had just one terrific time to get any attorney to act as counsel for this committee." [24]

On April 21, the subcommittee reported on three employees of the Federal Communications Commission "named by the chairman of the special committee to investigate un-American activities in a speech on the floor of the House of Representatives, February 1, 1943." [25] Of two of these individuals it was declared that their "views and philosophies . . . constitute subversive activity as defined by the committee" and that each was therefore "unfit to continue in Government employment." No specific steps were recommended. Of the third—a well-known historian—it was said that the committee "does not find sufficient evidence to support a recommendation of unfitness to serve in the employment of the Government at this time."

[24] *Ibid.*, p. 3086 (daily edition). Representative Dies (whose committee meanwhile had begun to subpoena some of the individuals involved) said the fact of membership in various organizations (other than the Communist Party) was seldom denied; it all depended on what conclusions one drew from such membership.

[25] 78th Cong., 1st Sess., House Report No. 448, April 21, 1943. The text is also given in the *Congressional Record* of that date, pp. A-2130-32. The subcommittee (consisting of Kerr of North Carolina, Gore of Tennessee, Anderson of New Mexico, Powers of New Jersey, and Keefe of Wisconsin) declared that "it is not hostile to what is known these days as liberalism." "Subversive activity", it said, "has not been defined by the courts or by Congress," so the subcommittee adopted the following definition to guide its examinations:

> "Subversive activity in this country derives from conduct intentionally destructive of or inimical to the Government of the United States—that which seeks to undermine its institutions, or to distort its functions, or to impede its projects, or to lessen its efforts, the ultimate end being to overturn it all. Such activity may be open and direct as by effort to overthrow, or subtle and indirect as by sabotage."

As to the organizations, "front" or "questionable"—membership, present or past, in which counts heavily against the employee—it was said:

> "These organizations have not been adjudged by the courts or by Congress as subversive. They have operated either without constitutions or bylaws, or when their aims and purposes have been brought into question the constitutions and bylaws have been withheld or destroyed. No witness can be found who will or can produce any record of these organizations. But the 'court of public opinion' of the United States has passed judgment upon them and has found them subversive and un-American."

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In the steps taken in 1943, the House seemed to overlook not only rebukes suffered earlier at the hands of the Senate, but even its own earlier repentance. The latter had been evidenced in regard to the provision aimed at the former head of the Workers' Alliance. Late in 1941 a repealing clause was inserted by the House committee in the third supplemental defense appropriation bill. The report remarked that "personal legislation of the character enacted . . . is rare"; and added, "It was taken, the committee feels, without sufficient consideration."[26] The report noted that in the case of the employee named "the legislation makes it difficult for him to obtain other employment." But the repealing language was knocked out on a point of order. Twice in the following year, however, the Senate vetoed House provisions directed against individuals. Thus the Senate committee followed the plea of the Secretary of the Interior and eliminated from the departmental appropriations a proviso that would have forbidden the further employment of a woman whose enthusiastic book on the Soviet arctic had made her seem useful to the publicity department of the Alaska railroad.[27] And again, in 1942, the Senate struck out a proviso in the independent offices appropriation bill aimed at the well-known educator who was to be one of the employees branded as unfit by the House subcommittee.[28] The Senate subcom-

[26] 77th Cong., 1st Sess., House Report No. 1470, December 3, 1941, p. 39. On the question of "sufficient consideration", the Dies committee, in its report of January 3, 1941, had said of the Workers' Alliance that "its non-Communist element withdrew under the leadership" of the very man barred by the relief appropriation act. 77th Cong., 1st Sess., House Report No. 1.

[27] 77th Cong., 1st Sess., Senate Committee on Appropriations, *Hearings before a subcommittee on the Department of the Interior appropriation bill for 1942*, p. 89. For the House action on May 14, 1941, on Representative Taber's amendment, see *Congressional Record*, vol. 87, pp. 4072-73.

[28] The action was initiated in the House subcommittee on December 10, 1941. 77th Cong., 2nd Sess., House Committee on Appropriations, *Hearings before a subcommittee on the independent offices appropriation bill for 1943*, pp. 321-34. On the floor it was announced that "the full committee, although opposed in general to this type of amendment, adopted this morning an amendment denying funds for the payment of any salary" to the individual in question. It was added: "This seems to be the only recourse open to the committee in view of the apparent unwillingness of Mr. Fly and the Federal Communications

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mittee in 1942 eliminated the hostile clause; the whole committee restored it. On the floor Senator Barkley was among the leaders of a sortie that got rid of the language.[29] In the debate much was made of the argument that barring an individual amounted to a bill of attainder.

The emerging issue of constitutionality is a double one. The ideal of legislation is generality; toward that ideal constitutional practice has struggled for centuries. Provisions aimed at particular individuals work an injury worse than the risk of personal injustice. The tendencies they set in train handicap the realization of the noble dichotomy between an area of interests, agitation, compromise, and finally broad statements of prime policy—the distinctive concerns of legislative bodies—and the area of application, both administrative and adjudicative. It is a poor though understandable defense of trespassing legislatures to say that the methods of administrative recruiting are often haphazard or partial. To be effective, the application of policy must be relieved from distorting pressures and at the same time be flexible.

From the standpoint of both flexibility and integrity, is it not possible that protective corollaries will be drawn from the still nearly latent concept of constitutionally vested "executive power" as a field of administrative responsibility which "legislative power" cannot invade?[30] Legislative supremacy in determining major policy does not require that the dicta of Kendall v. U. S.[31] shall burgeon without limit. But the accommodation of legislative and executive relations to administration

Commission to take any action in the matter." *Congressional Record*, 77th Cong., 2nd Sess., vol. 88, p. 552, January 22, 1942.

[29] *Congressional Record*, 77th Cong., 2nd Sess., vol. 88, p. 3997, May 6, 1942. Senator Barkley, in his argument, said: "The appointment of men to office is an executive function, not a legislative function, and the whole history of Congress, with one or two exceptions, indicates that it has frowned upon provisions of this kind which are, in fact, bills of attainder; that is what they amount to."

[30] It would be necessary to project an incipient doctrine considerably beyond such cases as Springer v. Philippine Islands, 277 U. S. 189 (1928), and People v. Tremaine, 252 N. Y. 27 (1929).

[31] 12 Peters 524 (1838).

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is not a matter in the main to be imposed and enforced by judicial decisions. Like the essence of constitutional government itself, such accommodation grows from mutual awareness and self-restraint.

In this connection, careful attention must be given to the far-reaching claims that are made for control incidentally to the appropriating process. The introducer of the amendment which in February 1943 sought at a stroke to bar nearly forty persons from being paid out of the funds carried by the bill said quite significantly: "Any other measure that we may pass could be considered by the courts as an infringement upon the powers and prerogatives of the executive branch but an appropriation bill originates in the House of Representatives, and the House is entitled to put any limitation that they so desire on these appropriations." [32] When a point of order was made against the proposed amendment, the chairman of the committee of the whole ruled that "the amendment simply limits the appropriation", and that "If Congress has the right to appropriate, Congress, by the same token, has the right to limit the appropriation." [33]

Claims like the foregoing give added point to a study of the supervisory rôle of the committees on appropriations. Through them is accomplished most of the oversight that Congress exercises over administration. In them the pressure for intervention finds its natural focus.

II

The committee structure of Congress reflects the distinction between authorization and appropriation—between the passage of acts which define purposes, convey power, and authorize appropriations, on the one hand, and the year by year provision of money, on the other. The standing committee system had two elements: the legislative committees and the appropriating committees.[34] The separation of authorization and appropria-

[32] *Congressional Record*, 78th Cong., 1st Sess., vol. 89, p. 660 (daily edition), February 4, 1943.

[33] *Ibid.*, p. 682 (daily edition), February 5, 1943.

[34] A third element exists in rudimentary form in the committees on expendi-

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tion has the advantage, among others, that it accommodates itself to the technique of planning, for programs may be laid out broadly, to be implemented annually at a tempo suited to conditions.

The separation of authorization and appropriation, with the requirement that the former must precede the latter, is subject to some friction and irregularity. The risk of friction is inherent in the existence of two partly parallel sets of committees. Much irregularity attends the fact that the whole distinction rests on provisions in the rules of the chambers, enforced by points of order.[35] Through inattention or comity, points of order that would be sustained are often not made.[36] Sometimes a special rule is adopted at the request of the Committee on Appropriations which gives blanket protection against points of order. Much authorization is implied rather than express, furthermore, and in many situations there is wide range for the judgment of presiding officers in applying the rules when points of order are made.

The problem of the adjustment of responsibilities between the standing legislative and appropriating committees was increased in both houses after 1921 by the attempt to centralize jurisdiction over appropriations. In the House the select com-

tures in the executive departments, to the failures of which as organs of oversight attention will be given in a later installment.

[35] House of Representatives, Rule XXI, 2, states: "No appropriation shall be reported in any general appropriation bill, or be in order as an amendment thereto, for any expenditure not previously authorized by law, unless in continuation of appropriations for such public works and objects as are already in progress." The rule also provides: "Nor shall any provision in any such bill or amendment thereto changing existing law be in order." The last is subject to a qualifying provision — the "Holman rule" — which permits new material of a legislative character which is germane to the bill and will result in retrenchment. This sub-rule may actually invite the very kind of detail in an appropriation bill which interferes with the flexibility of administration.

[36] In wartime, especially, appropriations are sometimes allowed to run ahead of authorizations. "I would have no objection", said the chairman of the House Committee on Naval Affairs in January 1941, "to allowing the Appropriations Committee, since we have acted on the matter, to incorporate it in their bill in the House, and have the legislative authority passed later." 77th Cong., 1st Sess., House Committee on Naval Affairs, *Hearings on H. R. 1437*, p. 30.

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mittee on the budget recommended a single committee of thirty-five members. "Without the adoption of this resolution," it was said in the report, "true budgetary reform is impossible." [87] Changes in the rules of both House and Senate within a few years corrected the effects of the centrifugal forces which, especially strong in the case of the House between 1877 and 1885, had scattered jurisdiction over many of the regular appropriation bills in the hands of the legislative committees. When the Senate reorganized its Committee on Appropriations in 1922 it compromised with the spirit of the old arrangement to the extent of allowing the chairmen and ranking members of certain legislative committees to participate in appropriations subcommittees, when funds for agencies within their jurisdiction were being considered. This liaison has been retained and extended. It is logical in the face of the double committee system. For the observer, the absence of any positively favorable comment suggests that at the best it can be concluded that the device has done no harm.

What has been said raises questions about committee jurisdictions which are beyond the scope of the present inquiry. A bare indication of viewpoint will suffice. If the committees of Congress are conceived of as existing primarily for the oversight of management, there should not be a dual system of standing legislative committees and appropriating committees with their subgroups. Instead, as W. F. Willoughby has long advocated,[88] the whole committee structure should be recast so that there will be as close correspondence as possible between the scope of the standing committees and the administrative departments. To the present writer this view seems profoundly misconceived. The emphasis in committee reorganization, so far as it is possible at all, should be to enable the legislature to handle prime policy, not the supervision of management. As

[87] 66th Cong., 1st Sess., House Report No. 373, October 11, 1919.

[88] See, for example, his *Principles of Legislative Organization and Administration* (Washington, 1934), pp. 358-59. But note his underlying assumption: "As has been repeatedly emphasized, much the most important continuing task of our legislatures is that of acting as a board of directors of the government corporation."

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things stand, legislative attention is splintered. The revised pattern of a standing committee system should rest upon the identification of the broad zones of public policy within which a comprehensive consideration of measures would be possible. Each zone would cut across the jurisdiction of many administrative agencies; this fact would be an advantage, for it would be more likely to result legislatively in a detached and synthesizing viewpoint. It would be in the appropriations committees that close correspondence between administrative and legislative divisions would fittingly develop.

The appropriations committees of House and Senate work separately. House members, especially, shy away from formalized joint action; experience, they say, shows that it is likely to subordinate them to the Senators. Custom concedes to the House the right to initiate the appropriation bills. The Senate committee is smaller than that in the House; its members serve upon many subcommittees; the staff has less responsibility. In a sense, the Senate Committee on Appropriations sits in an appellate capacity. It circularizes the departments to find out if they have particular items to present in its hearings. Often the agencies choose to take their small cuts at the hands of the House and let well enough alone. But administrators value the opportunity for appeal that the Senate committee affords. The House members, for their part, regard the Senate group as undisciplined and irresponsible. Institutionally, the weight rests heavily on the side of the House. This explains why (despite a few outstanding bits of wartime supervision attempted by the Senate committee) the emphasis in the pages that follow is so generally on the methods of the House Committee on Appropriations.

III

The realities of the appropriations committees are in subcommittees,[39] in the chief clerk, and in the clerks assigned to

[39] The House Appropriations Committee has eleven subcommittees: Deficiencies (11 members); Interior (7); Agriculture (7); Independent Offices (7); Treasury and Post Office (7); State, Commerce, and Justice (7); War (7); Navy (7); Labor-Federal Security (7); Legislative and Judiciary (5);

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the subcommittees. The ideal of a concerted consideration of expenditures has not been attained. The committee as a whole sometimes considers what are called questions of policy common to all appropriation bills, as in recent stipulations about promotions and about subversive affiliations inserted in identic language in all bills. But on the appropriation bills themselves, the main committee can hardly be said to act. Bills typically come before the committee an hour or so before they are to be brought on the floor in charge of a subcommittee chairman and his associates. The printed bill and the committee report are ready. Indeed, the report (though still without a number) has been given out bearing the notice that it is "subject to release when consideration of the bill which it accompanies has been completed by the whole committee" and with the request that, before it is released, there be a check "in order to be advised of any changes." Alterations in the full committee are rare. Nevertheless, in addition to the continuity of its small and well-knit staff, the committee is united by a body of procedures and an atmosphere, by the influence of the chairman, and by the constant direct association of the subcommittee chairmen in the subcommittee on deficiencies.

It used to be said that there was an "appropriations type": hard-working, hard-bitten. Certainly the committee is a place for men who like long hours and a sense of power. In recent years some members of the House have deplored an alleged laxness in the making of committee assignments, reflected (they say) in members of weaker fiber on the appropriations group. The inundation on the Democratic side after 1930 did indeed bring on the committee relatively untried material of uncertain quality. The charges of committee deterioration must be viewed in the light of changing views of general fiscal policy, which the committee inevitably reflects. But the dour tradition still lives.

Since the actualities of the House committee's work lie so largely in its eleven subcommittees, great importance attaches

and District of Columbia (7). The Senate Appropriations subcommittees, ten in number, duplicate the foregoing except for one subcommittee for the Departments of State, Commerce, Justice, and Labor-Federal Security.

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to the assignments of committee members among these groups. The value of the standing committee device is the combination it affords of some specialization in subject matter with a degree of detachment not likely to be found among administrators. But how much emphasis should be placed upon detachment in the choice of the subcommittees that will deal with particular subjects and departments? The selection is made by the chairman of the whole committee, conditioned by the total play of forces in the House. Committee chairmen have followed two courses. Chairmen such as Martin B. Madden (1921-28) and James P. Buchanan (1933-37) asserted the belief that members should not go on subcommittees touching matters in which conditions in their districts gave them an especially vital interest. Edward T. Taylor, chairman from 1937 until his death in 1941 at the age of 83, avowed as well as practiced a more indulgent view.[40]

Whatever the chairman's view, experience shows that the gravitation of special preoccupations can be delayed but hardly resisted. Given time, men will achieve the subcommittee they especially desire and, once on it, they rise by seniority and may thus achieve the chairmanship. Nor is it always necessary to wait long. An incident from the past is still revealing. A few years ago a new western member of the Appropriations Committee, when asked his preference as to a subcommittee, said that he wished to serve on the subcommittee on the Interior Department bill. I thought so, said the chairman, in effect, but you can't have it; you'll be after money for that dam. The member's second choice was Agriculture. I thought so, said the chairman; you have all those forest reservations on your mind. He said that he would give the member—a former judge—a chance to use his judicial talents on the District of

[40] Mr. Taylor, who represented a Colorado district, said in 1938 that he intended to remain a member of the subcommittee on appropriations for the Department of the Interior and that he would be present at least when the subcommittee was "marking up" the bill, "because this Department and the matters that come before this subcommittee are tremendously vital to all of the arid states of the West and especially to Colorado." 75th Cong., 3rd Sess., House Committee on Appropriations, *Hearings before a subcommittee on the Interior Department appropriation bill for 1939*, p. 1.

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Columbia subcommittee.[41] But the member said he had not come to Congress to be judicial. He said flatly he might be appointed to, but would not serve on, the District of Columbia subcommittee and he won his point; for he soon was a member of both the Interior and Agriculture subcommittees.

The problem of contact and bias is a complicated one. Was it undesirable that all of the House subcommittee on agricultural appropriations in 1941 should come from essentially agricultural constituencies, fairly well distributed sectionally? On the Interior subcommittee all the members could be called western, except one on the majority and two on the minority sides. Did this sacrifice detachment to knowledge? A little knowledge may be a dangerous thing. Ross Collins, former Representative from Mississippi, popularizer of the idea of mechanized armies, has remarked that, in face of the changing technology of war, military service in early life followed by long participation in the National Guard does not fit a member of Congress for incisive and imaginative criticism of military routines.

In seeking detachment, repulsion may be as risky as attraction. Distorted viewpoints may come from a little contact in one's district with a problem that is still largely foreign. The recent chairman of the subcommittee on Labor-Federal Security, Malcolm C. Tarver of Georgia—one of the most industrious and generally effective subcommittee heads—has a little manufacturing in his district. Some of Mr. Tarver's prepossessions were perhaps shadowed in his remark in recent hearings before the subcommittee on agriculture, of which he was a ranking member and has since become chairman.[42] "I am not

[41] Long the purgatory of new members on the Appropriations Committee, the District of Columbia subcommittee is now recruited on a virtually volunteer basis. Its tasks may be lightened by allowing the District government greater responsibility in the preparation of its own budget.

[42] Mr. Tarver resigned the chairmanship of the Labor-Federal Security subcommittee in order to succeed Clarence Cannon as head of the Agriculture subcommittee, when Mr. Cannon became the general chairman late in 1941. Incidentally, those who have thought of the latter as a fruit-grower have been intrigued by the proviso regularly carried in the agricultural appropriation act against the conduct of investigations into the allegedly deleterious effect of sprays.

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one of those", he said, "who supported the passage of the wages and hours law for workers in industry nor am I in agreement with statements which have been made concerning alleged benefits received by workers in industry through the passage of that and similar legislation." [43]

The stake of a member of a naval appropriations group in a navy yard in his district is obvious, whether it matters to him or not. Many stakes are smaller, hardly to be seen, and difficult to provide against. Yet it may be necessary for the departmental budget officer, surveying the battlefield on which the bureau cohorts must defend their requests, to know that a particular committee member's district is touched by the rivalry between Remington-Rand and International Business Machines or to take account of the location in another member's district of a plant that makes patented safety locks. In the vast range and polyglot character of most of the appropriation acts and consequent jurisdictions of the subcommittees, most biases are relatively insignificant. Yet members may be all the more attentive to them because the appropriation bills as wholes are so overwhelming and baffling.

In the case of at least two subcommittees—Interior and Naval Appropriations—it has been customary to assign individual members to the scrutiny of items for particular administrative units. This practice risks the further splintering of the main committee, with attendant hazards of individual predilection. It used to be considered undesirable from a practical standpoint, because in the end the chairman of the subcommittee must be prepared to handle the bill as a whole on the floor. Recently there have been instances where each subcommittee

[43] 77th Cong., 1st Sess., House Committee on Appropriations, *Hearings before a subcommittee on the Department of Agriculture appropriation bill for 1942*, p. 23, January 7, 1941. An innocent enough bit of committee benevolence, and additionally understandable when one considers that an outstanding industry in the subcommittee chairman's Georgia district is said to be a bedspread mill, was reflected in the 1940 report on the Labor Department appropriation: "The only change effected by the committee other than the elimination of sums for administrative promotions was to add $3,000 to the Budget estimate in order that a survey might be made of the candlewick-bedspread industry in the South." 76th Cong., 3rd Sess., House Report No. 1822, p. 13.

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member has presented and defended his part of the bill.[44] In general, individual fixed assignments do not seem desirable. But one subcommittee chairman who makes them says that unless members are given something to do they become bored.

Whatever group specialization is afforded by the subcommittee is undermined by the presently increasing importance of the subcommittee on deficiencies. At one time or another through the year it covers the whole range of the government. This subcommittee is normally presided over by the chairman of the main committee and consists of the heads of the other subcommittees, with several ranking minority members.[45] With the rush of defense and war, the tail has come to wag the dog, so mammoth and constant has become the flow of deficiency and especially supplemental appropriation bills handled by the deficiencies subcommittee.[46] The scheme of the deficiencies subcommittee is indeed illogical. The strain of divided jurisdictions in 1941 was lessened somewhat by allowing the members of the subcommittees on Navy and War Departments appropriations to sit at appropriate times with the deficiencies group.

It is not Congress, not the House or Senate, not even the appropriations committee as a whole that should be thought of as abstractions, set against administration. The reality is a handful of men from particular states or districts, working with a particular committee clerk on a multitude of details.

IV

The importance of the staff of the appropriations committees can hardly be exaggerated. The modesty of its scale has been

[44] The subcommittee on agricultural appropriations was congratulated in 1942 for dividing the task of defense of the bill on the floor among its members. This step, it was said, "should have been done long ago . . . and will add to the interest in the debate." *Congressional Record*, 77th Cong., 2nd Sess., vol. 88, p. 1886, March 3, 1942.

[45] In 1941, however, two chairmen of subcommittees declined to serve, preferring to be members of another group in addition to the one over which they presided.

[46] In the calendar year 1941 Congress passed nine deficiency and supplemental appropriation acts; in 1942, eight—in all, seventeen in the life of the 77th Congress.

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truly amazing. Yet here has been the only point (the other exception being the Joint Committee on Internal Revenue Taxation) at which Congress has for many years provided an expert, stable personnel for committee work.[47]

In the case of appropriations, the smallness of the staff has been offset by its continuity and experience. The House committee has had only three clerks since its establishment in 1865: Robert J. Stevens (1865-1884), James C. Courts (1884-1916), and Marcellus C. Sheild. At the time of Mr. Sheild's appointment in 1916 as head of the committee's staff (though with the unpretentious title of "clerk") he had already been an assistant clerk for eight years. He had entered on the duties at the age of twenty-three after two years of college and a little training in law school. One can hardly state too strongly the respect in which Mr. Sheild is held not only in Congressional circles but also throughout the government.

In addition to Marcellus Sheild, the House committee has been served in recent years by six or seven assistant clerks.[48] Counting Mr. Sheild, those who are assigned regularly to the subcommittees have averaged slightly more than twenty years of continuous work for the committee. Despite the tremendous growth of governmental operations in recent years, this staff has grown hardly at all. In nine years down to 1941, only

[47] Of the situation in the states it is said: "New York is probably unique in providing its appropriation committees with expense funds, with stenographic assistance, and in furthering committee operations. Even this state, however, with a daily cost of government of over one million dollars, does not provide its committees with sufficient funds to provide staffs to check and to study estimates." Jacob W. Sundelson, *Budgetary Methods in National and State Governments* (State of New York, Special Report of the State Tax Commission, No. 14, 1938), p. 453.

[48] The appropriation act for the legislative branch in the fiscal year 1943 (77th Cong., 2nd Sess., Public Law 600) made provision specifically for a clerk at $8,000; for six assistant clerks (one at $7,500, one at $4,900, two at $4,500, one at $4,200, and one at $3,900); for a messenger; and for "additional clerical assistance at rates to be fixed by the chairman of the Committee on Appropriations", $15,960; for four clerk-stenographers at $1,800, assigned to certain subcommittees and appointed by their chairmen with the approval of the chairman of the main committee. The 1944 estimates asked for no change. The investigative staffing provided in 1943 under H. Res. 69 is in addition to the regular committee personnel. See *supra*, p. 165.

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one assistant clerk and a page were added.[49] The servicing of the subcommittees is parcelled among six of the senior members, including the clerk himself. Mr. Sheild has been serving the groups on deficiencies and on Legislative-Judiciary. The subcommittee on Agriculture has been assisted by Arthur Orr, who had one year of college and one year of law training, nine years of business experience, and who had been a statistical agent in the Bureau of Fisheries for five years before coming to the Committee on Appropriations in 1920. Robert P. Williams has been put on the District of Columbia subcommittee. William A. Duvall has been assigned to the Interior and Independent Offices subcommittees. Prior to his appointment as assistant clerk in 1927, he had been a clerk in a senator's office, and assistant clerk and clerk of the Senate Military Affairs Committee for a decade. John C. Pugh, twenty-one years with the committee, has assisted the two subcommittees on appropriations for the defense departments.[50] Before that he was a civil service employee on the "budget desk" in the Navy Department. Jack K. McFall, who worked regularly for the subcommittees on the State, Commerce, Jus-

[49] The House committee report in 1938 on appropriations for the legislative branch spoke of the fact that "the enormous increase in governmental activities and units during the past several years has placed a considerable burden on the subcommittees." It referred to "a constant stream of letters and callers seeking information on matters of appropriation and administration." The very terms in which the problem was stated were emblems of the tradition. 75th Cong., 3rd Sess., House Report No. 2128, April 11, 1938.

[50] The usually caustic Mr. Ditter, ranking minority member of the subcommittee on naval appropriations, remarked to the House on March 4, 1943: "Some of you may feel that it is your intellectual approach to the problems of legislating and appropriating which ultimately brings order out of chaos. May I say in a humble way, after long years of service, that were it not for the work of one John Pugh, than whom there is no better clerk on the hill, I can hardly imagine what an appropriation bill for either the Army or the Navy would look like." *Congressional Record*, 78th Cong., 1st Sess., vol. 89, p. 1577 (daily edition). It may be said generally that a word of tribute to the assistant clerk from both sides of the aisle is now a customary feature of the opening of debate on a regular appropriation bill. See also the floor "celebration" of the twenty-fifth anniversary of the association with the Committee on Appropriations of James F. Scanlon ("Uncle Jim") who edits the hearings. *Ibid.*, p. 1040 (daily edition), February 16, 1943.

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tice, and Judiciary, and the Labor-Federal Security appropriations until his resignation to enter naval service in 1941, was an assistant secretary to a senator prior to his appointment to the appropriations staff in 1928. In addition to the degree of "bachelor of foreign service" he had also taken a law degree. His place has been filled in part by C. D. Orescan, college trained, employed for a time in the regular departments, and more recently budget officer of the OWI. Meanwhile the substitute assistant clerk, George Harvey, has advanced to a regular assignment to the subcommittees, on the Treasury and Post Office and Labor-Federal Security appropriations. He originally came to the appropriations staff from Clarence Cannon's office.

In the Senate committee continuity of staff has been nearly as marked as in the House. Six different clerks have served the committee in the span of seventy-five years, but Thomas P. Cleaves was in office from 1873 to 1910, Kennedy F. Rea from 1910 to 1913 and again from 1913 until 1939, when he was replaced by the veteran assistant clerk, E. H. Smith. Thus the combined service of two clerks covered sixty-six years. More than in the House, the clerk of the Senate committee himself, rather than the assistants (who are younger than in the case of the lower chamber), directly serves all the subcommittees.[51] But, it should be remembered, the Senate's relation to the appropriating process is more appellate, less continuous, less exhaustively detailed, and in a sense less responsible from a fiscal point of view than is that of the House.

It is the clerk assigned to a subcommittee who takes the proof of the budget (for hearings may begin on some of the bills before its formal presentation) and draws off its material on the wide-margined committee print of the bill, with the supporting material of the estimates run small below each textual item. It is the clerk who prepares many of the questions to be put at the hearings. Sometimes a dependent chairman follows down his list, virtually reading the questions to the departmental representatives. Perhaps the technical question

[51] The appropriation act for 1943 provides for a clerk at $8,000 and seven assistant clerks (one at $4,800, one at $3,900, three at $3,000, and two at $2,200).

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arises whether a given item contains "legislative" matter ordinarily inadmissible in an appropriation bill. "I will ask the clerk to look into that matter." Or, from another chairman: "I am wondering if it is agreeable to postpone the hearing until tomorrow, as Mr. Sheild and I want an opportunity to go over some of these items." It is the subcommittee clerk who works with the chairman in preparing for the crucial process of "marking up the bill" in executive session. He is a consultant in this process; he must keep track of and embody the changes. Then, under very great pressure, he may be almost wholly responsible for writing the report that will accompany the bill—a document with probably growing importance in legislative oversight of administration, as will be illustrated later. The clerk's judgment shapes what goes into the printed hearings.[52] Through all this it is at once the strength and the weakness of the committee aides that they remain "clerks", even "assistant clerks".[53] Some of the staff's relative self-effacement may reflect personal limitations and the protective convenience of routine. Some of it, as will be said again (for the point is crucial), reflects Marcellus Sheild's awareness of the ticklish problem of duplicating leadership under separation of powers. Meanwhile the staff's esprit de corps and cheerful procedural competence has perhaps offset and even delayed the movement for increased staffing around the focus of appropriations.

It is not that the idea of heavier staffing has lacked advocates.[54] Sporadic suggestions have been voiced, probably in-

[52] A departmental budget officer, after telling of the tables and exhibits at hand, added: "We will work that out with the Clerk and see what his judgment is. He would know what the committee would want." 77th Cong., 2nd Sess., House Committee on Appropriations, *Hearings before a subcommittee on agricultural appropriation bill for 1943*, p. 149.

[52] In the debate on the State, Commerce, Justice, and Judiciary appropriation bill for 1942, a member of the subcommittee in charge said: "Why would it not be in order for the gentleman or the rest of us in this committee to suggest to the legislative subcommittee of the Committee on Appropriations that we change the title of clerks of the Appropriations Committee to advisers, or counselors, or some similar name?" *Congressional Record*, 77th Cong., 1st Sess., vol. 87, p. 2931, April 2, 1941.

[54] Speaking in the House on October 4, 1940, a minority member of the

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creasingly. "I think we all agree", said a minority member recently, "that we are rather inartfully going through these items without the advice of specialized counsel on these various projects and the only counsel is from the departments which are getting the funds." [55] He added: "We have to get such suggestions as we can from the clerk of the committee, and dig it out as best we can, because we are not specialists in these fields." Members of Congress often deplore, as did the late Senator Adams, that "we provide endless equipment for the executive and administrative agencies to take care of themselves; but we are not provided with the machinery to do those things that we ought to do." [56]

Not all committee members who have expressed discontent with existing methods of getting information have favored an increased permanent staff for the appropriations committees. The new chairman of the House Committee on Appropriations, Clarence Cannon, has been skeptical about fixed committee assistants. "The committee", he remarked while chairman of the subcommittee on agriculture, "is at a great disadvantage in hearing the witnesses who appear before us." [57] But Mr.

Committee on Appropriations echoed a suggestion by Representative Woodrum, the ranking majority member: "I believe that the greatest recommendation to the Appropriations Committee was made by the gentleman from Virginia [Mr. Woodrum] that each subdivision of the Appropriations Committee should have a man, to be paid $10,000 a year, to keep the Appropriations Committee informed of just what was going on." *Congressional Record*, 76th Cong., 3rd Sess., vol. 86, p. 13239.

[55] Frank B. Keefe of Wisconsin, in hearings on the Treasury and Post Office appropriation bill for 1942. Subsequently, in debate on the floor, he expanded on his views, exclaiming: "We have no expert auditors to challenge the testimony of the people who come before the committee."

[56] 77th Cong., 1st Sess., Senate Committee on Appropriations, *Hearings before a subcommittee on the legislative branch appropriation bill for 1942*, p. 12.

[57] 77th Cong., 1st Sess., House Committee on Appropriations, *Hearing before a subcommittee on the agricultural appropriation bill for 1942*, February 1941, p. 519. Mr. Cannon continued: "We are busy men. We come from offices crowded with work. We go back to our offices crowded with work. All we know is what they tell us. And it goes without saying that all the testimony adduced here by those seeking appropriations is consciously or unconsciously biased by personal interest. Much of it on even cursory examination is of doubtful value." Mr. Cannon's comment was elicited by the Farm Bureau Federation criticism of the department's field organization.

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Cannon has feared that permanent members of an increased committee staff might become too intimate with the departments to which they are assigned. This viewpoint, as has been noted, was reflected in the flexible scheme of assistance for the House Appropriations Committee adopted early in 1943.[58]

The really momentous issue is the extent of the staffing under the Committee on Appropriations which would be consistent with good budgetary relations and an integrated responsibility in administration generally. Staffing might easily be pushed to a point where it would bring a legislative budget method into existence in rivalry with the executive budget. An ambiguous responsibility might develop in the departments. There is need for the most careful consideration, not glib endorsement of the idea of staff and more staff.

V

There is another reason for caution in staffing in addition to the risk of doubling the lines of authority within administration. The peculiar virtue of the lay element in legislative thinking may be sacrificed. The legislator is immediately in touch with his constituents and this gives him an awareness of government from the side of the public. In wielding oversight of administration, it is his duty to bring this practical public sense to bear. How far must this be personal and immediate, not vicarious? In addition, and quite as important, is the criticism which a robust, imaginative lay mind can bring to bear on technical operations. Something of the value of the mingling of special and non-special minds might be lost if the politician-legislator dealt with administration only through an intermediate legislative bureaucracy.

This viewpoint is sometimes heard in Congress. Often it merely echoes the general distrust of experts, which is an extension of distrust of government itself.[59] But sometimes it is

[58] See *supra*, p. 165.

[59] Representative Lambertson, Republican, of Kansas: "I am fearful of these scientific investigations. The brain trust has cost us money every time it went into action. In my opinion, it will take some farmers from county seats to do it." *Congressional Record*, 77th Cong., 1st Sess., vol. 87, p. 932, February 12, 1941.

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more soundly rationalized in terms of the inherent duties of the legislator as an individual. When this is the case, and the member of Congress acts on his own precepts, he is usually a person of outstanding energy, curiosity, more than a trace of self-dramatization, and at least the possibility of danger. In recent years Albert Engel of Michigan has been a conspicuous example. In 1939 he found himself on the subcommittee newly charged with responsibility for both Labor and Federal Security. Confronting the ramified social security operations, still novel to nearly everyone, Mr. Engel undertook to inform himself about all the agencies covered by the bill. He went to some of the units in the Department of Labor. A veteran official in this department said at the time that Mr. Engel was the first member of Congress who had made such a visitation, in such a manner and mood, in the course of nearly three decades. It was in the Federal Security Agency that Mr. Engel made his more extended and intensive visits. The administrators who accompanied him say they learned a good deal. Mr. Engel insisted on knowing what was being done in each room; he pulled half-written letters from typewriters; on occasion he was caustic. But he emerged as a defender of the relative efficiency of the Social Security Board, particularly in the mass operations of the old age insurance system. In 1940 Mr. Engel shifted his attention to defense matters and especially camp construction, this time by solitary inspection in his own car.

Mr. Engel's feats of visitation have been an extreme case. Few men have his type of kinetics. Nor is such first-hand contact without risks: for in a man who lacked Mr. Engel's saving sympathy for governmental responsibility and the administrative processes, zeal might be a nuisance. Besides, even with the best of will and unusual gifts for observation and understanding, the individual is limited; his personal contacts are spasmodic and sporadic. Such contacts provide a background; they do not supply continuous and effective analysis. Nevertheless, if legislative oversight is to have the freshening influence that is assumed to be one of its virtues, individual members of committees must enjoy considerable first-hand ob-

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servation of the procedures for which they are appropriating money.

Travel by committee members and clerks brings some information to the aid of the committees on appropriations. Such travel is made possible by items usually present in the appropriation acts which permit funds to be used during the ensuing year for travel in the consideration of estimates. There is much difference of opinion about its usefulness. The reputation of junketing has not been outlived. Hard-driving members of Congress, caught in its routines or in the political perplexities of their own districts, justify their reluctance to visit the departmental field organizations by treating the trips of others as pleasure jaunts. Nearly everyone agrees that the chief obstacle is time—it is hard to get away from the incessant preoccupations of one's office and one's district, not to mention the now nearly continuous sessions of the chambers.

Outstanding illustrations of subcommittee field inspection have been afforded by the group handling appropriations for the departments of State, Commerce and Justice and for the Judiciary. In 1939 a number of members of the subcommittee and the clerk assigned to it visited embassies and legations in Europe, primarily to inspect the quarters, interview the personnel, and gain a background on the housekeeping aspects of the foreign service. A report was printed in the hearings. It was noted in the following year that "with one exception all of the recommendations made by the committee have either been carried out in their entirety or are in course of attainment." [60] Again, between August and October 1941, five of the nine members of the subcommittee, accompanied by the clerk as secretary, visited the missions in Central and South America. The observations and findings of the group, with some specific recommendations, were embodied in a printed report of more than forty pages, prepared by the clerk and published on December 4, 1941 for the use of the Committee on Appropriations.[61]

[60] 77th Cong., 1st Sess., House Report No. 360, p. 4.

[61] *Official Trip of Examination of Federal Activities in South and Central*

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Another recent illustration of field visitation may be drawn from the work of the same subcommittee. In reporting in 1941 on appropriations for the Bureau of Prisons, the committee remarked that "during the past two or three years practically every institution of the Bureau—numbering 29—has been visited by one or more members of the subcommittee or by the subcommittee clerk." [62] The committee was perhaps justified in a self-righteous comment. "It is surprising", stated the report, "to note that in only one instance was it disclosed that a judge had visited a Federal penal institution and in that case it developed that he was a personal friend of the warden."

Few other subcommittees have been so active in travel. But abstractly, at least, most chairmen would probably agree with the head of the subcommittee on naval appropriations when he said in a 1943 hearing: "I can learn more in a few hours of physical application than I can by sitting around this table for several days." [63] Needless to say, the department in question can make travel easy and impressive.*

ARTHUR W. MACMAHON

America. Report of a subcommittee of the Committee on Appropriations, House of Representatives, 77th Cong., 1st Sess. For the follow-up, see 77th Cong., 2nd Sess., House Committee on Appropriations, *Hearings before a subcommittee on the State Department appropriations for 1943*, pp. 15-17, 417-47. The committee relied heavily on the method of interviewing individually all the personnel in the United States foreign service at each point of thirty points of call. The report remarked: "As far as the committee has been able to ascertain this trip was the first ever taken to either South or Central America by a committee of Congress visiting the Latin-American countries as an official congressional committee."

[62] 77th Cong., 1st Sess., House Report No. 360, p. 43. See also comment in 1942 on personal visits to observe the probation system. 77th Cong., 2nd Sess., House Committee on Appropriations, *Hearings before a subcommittee on judiciary appropriations for 1943*, p. 87.

[63] 78th Cong., 1st Sess., House Committee on Appropriations, *Hearings before a subcommittee on the supplemental Naval Department appropriation bill for 1943*, p. 25.

* The second installment of this article, to appear in a later issue of the QUARTERLY, will trace further the methods of inquiry and oversight exercised by the committees on appropriations.—ED.

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BRITISH OVERSEAS TRADE AND FOREIGN EXCHANGE

I

ON August 27, 1939, the British government began to control foreign exchange and trade in anticipation of World War II. On that date, a Treasury order was issued stopping dealings in specified foreign securities and requiring that the owners of such securities declare their holdings to the Bank of England within the month. Those securities were covered which had principal or interest payable in the currencies of Argentina, Belgium, Canada, France, Holland and the Dutch East Indies, Norway, Sweden, Switzerland, and the United States.[1] Under the terms of the order, transfers of the listed securities could be made between residents of the British Isles, with permission of the Treasury, but special application had to be filed if securities were to be transferred to a non-resident. Non-resident owners of securities were not subject to this order.[2]

During the first six months of the war, permission could be obtained rather easily from the Treasury to transfer securities covered by this order. In fact, a very large amount of liquidation took place in the autumn of 1939, with British investors seeking to take advantage of the depreciated sterling-dollar rate and the low prices of British securities by selling American securities to British residents and buying British securities.[3] British owners liquidated about $95 million worth of American securities in the first three months of the war.[4]

To some extent, to be sure, the British Treasury before the war had exercised by moral suasion certain controls over foreign investments by British subjects. As the war proceeded,

[1] *Financial News*, August 28, 1939, p. 1; and August 29, 1939, p. 8.

[2] *The Economist*, September 2, 1939, p. 452.

[3] *The Statist*, February 24, 1940, p. 196.

[4] *Federal Reserve Bulletin*, March 1940, p. 206.

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however, the Treasury found it necessary to take by Order in Council specific powers of control which it had sometimes previously exercised indirectly. For example, in September 1940 the Great Boulder Proprietary Gold Mine, Ltd., attempted to move its legal domicile from Great Britain to Australia. The majority of the Great Boulder shares were owned by Australians and the change of domicile was decided upon in an attempt to escape the British excess profits tax. The Chancellor of the Exchequer wrote a letter to the chairman of Great Boulder requesting that domicile not be changed. Despite this, however, the stockholders voted to move to Australia.[5] On September 27, 1940, the Treasury promulgated a regulation prohibiting formally such changes of domicile without Treasury consent.[6]

At the end of 1938 British overseas investments stood at approximately £3,292 million. Table 1 shows the 1938 situation in some detail.

TABLE 1

NOMINAL AMOUNT OF BRITISH OVERSEAS INVESTMENTS IN QUOTED SECURITIES, INTEREST AND DIVIDENDS RECEIVED, AND LOAN CAPITAL REPAID [a]

(In millions of pounds)

	Capital	*Income*	*Repayment*
Overseas Governments and Municipalities	1,398	52.3	21.4
British Companies abroad	1,209	69.6	10.9
Foreign and Dominion Companies	685	43.0	6.9
	3,292	164.9	39.2

[a] R. M. Kindersley, "British Overseas Investments, 1938", *Economic Journal*, vol. 49, p. 692.

Toward the end of 1940 it became apparent that British gold and dollar resources would be inadequate to finance British munitions purchases in the United States during 1941. Lord Lothian, the British Ambassador, called attention to the situation in late November when he returned to the United States from Britain.[7] This situation led to the passage of the Lend-Lease Act on March 11, 1941.

[5] *Financial News*, September 21, 1940, p. 1.

[6] London *Times*, September 28, 1940, p. 7.

[7] *Economist*, November 30, 1940, p. 672.

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Table 2 analyzes Britain's dollar resources and their utilization in the first two years of the war. Table 3 represents the official British estimate of the gold and dollar transactions of the Sterling Area between September 1, 1941 and March 1, 1942. The latter data indicate that, a year after the passage of the Lend-Lease Act, British expenditures outside the provisions of that Act were still reducing available gold and dollar resources.[8]

On February 18, 1940, the British Treasury took over from British owners sixty selected American stocks at current prices.[9] Holders received cash payment on March 4.[10]

On April 14, 1940, the British Treasury ordered holders of more than a hundred securities payable in dollars to deliver them to the Bank of England, as agent for the British Treasury, and the British Treasury made payment on April 29, at the sterling equivalent of the closing market prices in New York on April 13 (the conversion being at the official buying rate for dollars of $4.035 to the pound).[11] This second requisition was very shrewdly timed to take advantage of relative market prices and probably was made in the middle of April more on that account than because the proceeds of the first requisition had been exhausted. It seems unlikely that those proceeds had been exhausted in so short a time.[12]

The third requisition was made on December 14, 1940 and covered 65 additional American security issues. In November 1940 an order supplementing the first two had been issued

[8] It should be pointed out that the figure in Table 3 representing the drain on British dollar and gold resources is not the residual of an orthodox balance of payments calculation but is as useful or even more so for the present purposes because "the most apparent disadvantage of an orthodox balance of payments classification is that it gives no indication of the nature of the strain and stresses involved in the adjustment of international balances nor, indeed, of the very existence of balances to be settled." Harry H. Bell, "Short-Run Equilibrium in the Balance of Payments", *Southern Economic Journal*, vol. 8, p. 369.

[9] *Federal Reserve Bulletin*, March 1940, p. 206.

[10] *Statist*, February 24, 1940, p. 196.

[11] *Federal Reserve Bulletin*, May 1940, p. 408.

[12] *The Times* (London), April 15, 1940, p. 12.

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TABLE 2

BRITISH ESTIMATES OF UNITED KINGDOM GOLD AND DOLLAR RESOURCES [a]

(In millions of dollars)

Gold and dollar resources	*Total*	*Gold*	DOLLAR BALANCES			*Market Securities*	*Direct and miscellaneous investments* [b]
			Total	*Official*	*Private*		
Held Aug. 31, 1939	4,483	2,038	595	50	545	950	900
Expended Sept. 1939–Dec. 1940	2,316	1,746	236	—4	240	334	...
Held Dec. 31, 1940	2,167	292	359	54	305	616	900
Unavailable	356	51	305	...	305 [c]	...	...
Available	1,811	241	54	54	...	616	900
Expended or pledged Jan.–Aug. 1941	640	141	—5	...	—5	389 [d]	115
Held Sept. 1, 1941, without R.F.C. commitment [e]	1,527	151	364	54	310	227	785
Unavailable:							
Held for pledging with R.F.C.	555	...	...	...	...	60	495 [f]
Other	600	...	310	...	310 [c]	...	290 [g]
Available without R.F.C. commitment	372	151	54	54	...	167 [h]	...
Available Sept. 1, 1941, with R.F.C. commitment [e]	697	151	379	379	...	167 [h]	...
Anticipated net expenditure Sept. 1941–Feb. 1942	150	*	*	*	...	*	...
Anticipated available holdings March 1, 1942	547	*	*	*	...	*	...

* Figure not predictable.

(a) *Federal Reserve Bulletin*, December 1941, p. 1222.

(b) Excludes throughout some small investments which, because of their size, the British regard as virtually unsalable.

(c) The private dollar balances on Dec. 31, 1940 and Sept. 1, 1941 are classified as unavailable, since they were considered by the British to be at the minimum level necessary for the transaction of current business.

(d) Includes 145 million dollars pledged with Reconstruction Finance Corporation on Aug. 1, 1941.

(e) On Sept. 1, 1941, the R.F.C. was committed to advance a further 325 million dollars to the British government against the pledge of assets in this country valued at 555 million dollars. By December, the R.F.C. had actually disbursed 250 million dollars pursuant to this commitment.

(f) Includes branches of British insurance companies valued at 200 million dollars, only the earnings of which will be pledged against R.F.C. loan.

(g) Trusts in United States held for United Kingdom beneficiaries; these are established under United States law and hence may be unavailable to the British government.

(h) Includes 60 million dollars of securities not readily marketable, and over 30 million dollars of some 1,100 marketable stocks in small holdings

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TABLE 3

ESTIMATED GOLD AND DOLLAR TRANSACTIONS OF STERLING AREA
SEPTEMBER 1, 1941–MARCH 1, 1942 [a]

(In millions of dollars)

Payments to United States by United Kingdom:		
On British government orders in the United States	500	
For services (shipping, interest, film remittances, etc.)	85	
For other goods and services, urgent or ineligible for Lend-Lease	110	
Total		695
Payments to United States by Rest of Sterling Area (on goods and services)		280
Payments by Sterling Area to Countries Other Than United States Requiring Gold or Dollars		60
Total Gold and Dollar Expenditures		1,035

Receipts from United States by United Kingdom:		
From merchandise exports	60	
From services (shipping, interest, etc.)	60	
Total		120
Receipts from United States by Rest of Sterling Area:		
From merchandise exports	310	
From services (shipping, interest, etc.)	15	
Total		325
Other Receipts by Sterling Area as a Whole:		
From sale abroad of currently mined and dishoarded gold	290	
From unidentifiable transactions [b]	150	
Total		440
Receipts from Disposition of Gold and Dollar Resources of the United Kingdom Held on September 1, 1941		150
Total Gold and Dollar Receipts		1,035

[a] *Federal Reserve Bulletin*, December 1941, p. 1224.

[b] May consist in part of capital transactions, but probably also reflects such items as gifts.

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covering securities which for technical reasons had not been required by the Treasury although they had been included in the first two orders. Payment for the third requisition was effected on January 14, at December 14 New York prices.[13]

On January 11, 1941, the British Treasury requisitioned an additional list of American securities including federal government obligations. Payment was made on February 24 at the closing New York prices of January 11.[14]

A fifth list of securities for requisitioning was issued on April 20, 1941, and payment was made on June 3, in sterling equivalent to the dollar value of the securities in New York on April 19. This list included some dollar bonds of the Belgian and Cuban governments.[15]

In the summer of 1940, after Dunkerque, dollar securities registered at the Bank of England were secretly shipped to Canada for safekeeping and the Treasury halted sales of foreign securities by residents to non-residents.[16] A year later the Treasury vested Canadian sterling securities and South African sterling securities as part of the continuing program of liquidating foreign assets for the purchase of war materials in the Empire and outside.[17]

In the summer of 1941, the British Treasury sold 91 per cent of the stock of the American Viscose Corporation which it had taken over from the parent corporation, Courtauld's Limited. The stock brought less than Courtauld's had thought it was worth and this led to a great deal of controversy about "confiscation by the Treasury".[18] Apparently, one reason for the unsatisfactory results of the American Viscose sale was the Sherman Anti-Trust Act. The existing American rayon companies did not dare purchase the American Viscose Corporation for fear that they could not operate it without being in

[13] *Federal Reserve Bulletin*, January 1941, p. 25.

[14] *Ibid.*, February 1941, p. 101.

[15] *Ibid.*, May 1941, p. 410.

[16] *Economist*, July 20, 1940, p. 95.

[17] *Financial News*, August 16, 1941, p. 1; and *The Times* (London), October 11, 1941, p. 7.

[18] *Financial News*, August 14, 1941, p. 2.

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violation of the Sherman Act. As a result the open market sale became necessary.[19]

To avoid further painful losses of this kind, the British arranged a loan from the Reconstruction Finance Corporation of $425 million, pledging British-owned American securities as collateral. The British Treasury undertook to pay the sterling equivalent of dollar earnings disbursed to the owners of the securities pledged.[20]

II

The following table gives British exports in the pre-war year 1938.

TABLE 4

DISTRIBUTION OF BRITISH EXPORTS [a]

	Total Value Thousand Pounds	Per Cent to European Countries	British Countries	Foreign Countries outside Europe	Countries not separately specified
Machinery	57,907	24.3	55.8	14.1	5.8
Iron and steel manufactures	41,599	13.0	63.7	17.7	5.6
Vehicles	44,640	20.2	55.4	14.8	9.6
Coal	37,411	71.7	14.9	12.5	0.9
Cotton piece-goods	31,967	15.8	58.7	23.0	2.5
Woolen and worsted yarn and manufactures	26,816	38.3	37.6	18.5	5.6
Chemicals, drugs, dyes and colours	22,049	17.6	60.4	14.1	7.9
Textiles other than cotton, wool and silk	14,883	15.9	49.3	22.5	12.3
Electrical goods and apparatus	13,434	10.1	69.1	6.5	14.3
Non-ferrous metal manufactures	12,326	40.2	38.1	11.9	9.8
Home-produced spirits	11,365	3.1	33.2	53.6	10.1
Cutlery, hardware, implements and instruments	9,032	15.2	61.6	6.9	16.2
Apparel	8,519	14.9	70.9	7.1	7.1
Paper	6,932	7.3	77.5	5.8	9.4
Total exports (including other goods)	470,883	29.7	49.9	20.4	...

[a] *The Economist*, August 3, 1940, p. 160.

[19] *The Times* (London), July 11, 1941, p. 8.

[20] *Financial News*, July 23, 1941, p. 1.

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Exports were enormously important in the British economy until the passage of the Lend-Lease Act on March 11, 1941. In the first year and a half of World War II, exports were the means by which Britain paid for essential war imports, and, consequently, the British viewed the manufacture of goods for export as second in importance only to the manufacture of war material. The manufacture of goods for export was, in effect, the manufacture of war material at one remove. Or to put it another way, exports were exchanged for war material abroad.

Manufactured goods are ordinarily less bulky than raw materials, and the British preferred to import manufactured war material because this required less of their precious shipping space. Furthermore, in this way the British were able to import foreign skilled labor in the sense that it was embodied in the manufactured planes, tanks, shell casings, and so on, bought abroad. So long as it was necessary to pay dollars, this analogy held; the passage of the Lend-Lease Act, however, changed the whole situation and made it possible to divert labor for materials in Britain from export industry to war industry proper without suffering a reduction of manufactured war material imports from the United States.

Besides bringing in foreign exchange, exports were used to reduce German purchases in the neutral states. Obviously, this was important only so long as most of Europe remained free. In the days of the *Sitzkrieg* both Britain and Germany were dependent upon Denmark for a large portion of their dairy products, and Denmark relied upon Germany and Britain for coal, machinery, and other heavy items. If Britain sold coal in Denmark at a very low price, for example, Germany was forced to meet that price or lose the Danish market. As a result of lowering the price of coal sold to Denmark, Germany acquired less Danish exchange than would otherwise have been the case and was able to buy a correspondingly smaller amount of Danish dairy products.[21]

[21] For a discussion of the place of exports in the British war economy prior to the passage of the Lend-Lease Act, see *The Economist*, October 21, 1939,

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In the fall of 1939, the British government set up a committee on export policy under the chairmanship of Sir Frederick Leith-Ross. This committee was charged with the responsibility of studying trade with neutral countries to make sure that the principles of economic warfare were not violated; specifically, this involved determining that Germany was not trading with Britain through the use of neutral countries as intermediaries.[22]

On February 1, 1940, the President of the Board of Trade announced to the House of Commons that an Export Council was being appointed to foster exports. The Council was composed of seventeen persons representing both government and business interests and was under the chairmanship of the President of the Board of Trade. The Council had a small executive committee which met in permanent session. The purposes of the Export Council were described in an official White Paper, dated March 5, 1940, which said in part:

> The maintenance of Export Trade is so vital a factor in the war effort of the Allied Powers that no measure calculated to contribute to the end in view should be excluded from consideration.... The first aim of export industries and merchants as well as of the Export Council should be to secure such adjustments of the machinery created to deal with the wartime economic responsibilities of the State as will effectively overcome impediments to export trade.... It is essential that under war conditions exporters should receive direction, guidance and support from the central Government to a degree never contemplated under peace conditions.... The Council place no limit to the expedients they would be prepared to consider.[23]

The Export Council proceeded to organize Export Groups in the more important export industries to insure that sales and advertising activity abroad would be on a coöperative

pp. 78, 79, and November 4, 1939, pp. 161-163; Henry Chalmers, "Trade Policies of Foreign Countries during 1941, Part 2—British Empire", *Foreign Commerce Weekly*, January 24, 1942, p. 6; and *The Economist Commercial History and Review of 1941* (March 14, 1942), p. 5.

[22] *Financial News*, December 8, 1939, p. 1.

[23] *Economist*, March 9, 1940, p. 410.

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basis.[24] The Export Groups were not clothed with government authority and had to obtain permits and priority ratings from government departments, so that they were pretty well hamstrung by red tape; and it appears that they were not given enough power and guidance by the Board of Trade and the other government agencies concerned with exports.[25] Another difficulty was that the Export Groups, being private associations, were concerned with profitability as well as with the necessity of securing exchange. In pursuing private profit, the Export Groups sold less abroad than a government corporation would have sold.[26] The government did take certain steps to enhance the profitability of private export trade. An Export Credits Guarantee Department was established to insure exporters against loss resulting from their foreign customers' inability to make payment on account of sudden war or invasion.[27]

In the spring of 1940, the government formed the United Kingdom Commercial Corporation, Limited, to carry out official foreign trade policies.[28] The capital of the Corporation was subscribed by the British Treasury and it was originally organized to compete with Germany for the trade of the Balkan neutrals. When, in the spring of 1941, Germany conquered and absorbed the Balkan states into the Axis economic system, the United Kingdom Commercial Corporation's activities were concentrated in other parts of the world. While the Corporation was originally established with only £500,000 capital, it was more generously financed after the fall of the Chamberlain government and in the spring of 1942 its capital reached £5 million.[29]

[24] *Economist*, February 24, 1940, p. 328.

[25] *Financial News*, January 27, 1941, p. 2.

[26] London *Banker*, June 1940, pp. 147-152.

[27] *Financial News*, April 26, 1940, p. 1.

[28] *The Times* (London), April 5, 1940, p. 13; *Financial News*, April 6, 1940, p. 3.

[29] Paul Einzig, "The United Kingdom Commercial Corporation", London *Banker*, April 1942, pp. 26-30.

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In the autumn of 1940, the U.K.C.C. extended its activities to South America. Two representatives were sent to Argentina at that time to promote British trade. They also attempted to build up in that country stocks of British commodities, so that deliveries might be prompt and thus refute German propaganda which was trying to convince the Argentine that Britain could not deliver to its customers overseas because of the German blockade.[30]

The U.K.C.C. began late in 1940 to set up special subsidiaries to handle the trade of specific countries. In October 1940 a subsidiary corporation for the Spanish trade was established, and subsequently subsidiaries were organized for trade with Turkey, Palestine, Egypt, the Sudan, Iran, Iceland, Syria and Iraq. Commercial representatives were established in New York and India in addition to Buenos Aires.[31] U.K.C.C. and its subsidiaries collaborated with the Foreign Office and the Ministry of Economic Warfare. It subsidized the selling of particular commodities to some countries for political purposes and engaged in preëmptive buying to prevent the goods reaching Germany or other Axis areas. The activities of the U.K.C.C. have been described in the following manner:

> The methods applicable to markets where trade has become essentially political are not necessarily those that must apply, even in time of war, to countries such as Egypt, Iran, and Palestine, where by reason of the blockade or treaties of alliance the enemy is not in the running. There the activities of the UKCC need only supplement the normal import and export trade machinery, and in many instances can be canalised through it. Direct intervention in those countries is only required where subsidised operations are called for, as, for example, in buying up the surpluses of commodities produced by friendly countries which owing to war conditions are cut off from their normal export markets. Even in such cases, the UKCC will, as far as possible, utilise the normal foreign trade machinery. In such countries as Egypt, Iran, and Iraq the UKCC, therefore, handles but a small fraction of the trade with this country. Where it

[30] *Economist*, September 21, 1940, p. 380.

[31] *Ibid.*, January 17, 1942, p. 77.

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intervenes, it often does so in a manner that helps the private trader, obtaining for him advantages which otherwise might elude him, for example, obtaining the necessary priorities for materials, getting cargo space (which is becoming more and more the crux of all overseas trade operations), and even providing special insurance cover against financial risks analogous to those covered by the Export Credits Guarantee Department.

The methods of finance chosen by the UKCC vary with every country with which trade is conducted. In some of these cases trade with the sterling area is financed through a centralised clearing machinery such as Special Accounts. Finance in those cases is provided through these accounts and through whatever method the Treasury may choose to settle balances arising on either side of the clearing. In other cases normal methods of finance are utilised and bank credits are to some extent used, though it is evident from the experience of the discount market that acceptance credits have played very little part in such financing.[32]

The U.K.C.C. and its subsidiaries played a very important part in reorganizing the economy of the Middle East and thus strengthening the British political and military position in that part of the world. For example, when the Allied forces entered Syria, Iraq and Iran, the U.K.C.C. rushed in shipments of food and other living necessities to avert starvation and, incidentally, to make the people of the occupied areas more amenable to British rule.

Not only does the U.K.C.C. provide essential imports for the countries of the British Middle East but it also buys surplus commodities from those countries, thus supporting the price structure and increasing prosperity among the native population. Through its membership on the Middle East Supply Council, with headquarters in Cairo, the U.K.C.C. attempts to make the Middle East more self-sufficient economically and thus save shipping space for vital war purposes.[33]

Various methods of encouraging exports were used. In the cotton textile industry fixed profit margins were imposed on

[32] *Economist*, January 17, 1942, pp. 77-78.

[33] Einzig, *loc. cit.*

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manufacturers in January 1940 to prevent a boom. In the depressed conditions of August 1940, however, these fixed margins resulted in export prices too high, in the opinion of the exporters themselves, to enable them to meet competition being encountered on world markets at that time. Many members of the industry petitioned the Controller to allow reductions from the margins fixed, and he agreed to permit the Cotton Board to arrange "variations from fixed margins up to 5 per cent for American and 10 per cent for Egyptian yarns" going into export trade.[34]

In order to encourage the manufacture of woolens for the export trade in fabrics, the Wool Control adopted in 1940 the policy of announcing issue prices for raw wool and tops for considerable periods in advance. This enabled British manufacturers to accept foreign orders for delivery months in the future and facilitated the export trade in woolens. The Control followed a similar policy of stabilizing issue prices for the export trade in yarn over considerable periods.[35] To maintain the export trade in coal it was found necessary to offer a freight rebate on exported coal, coke and patent fuel after railway freight rates were raised on these items. So that British coal could compete with foreign coal on world markets, a rebate was put into effect on December 1, 1940.[36]

The emphasis on exports was reversed in the autumn of 1941. At that time a White Paper was issued emphasizing that Lend-Lease materials could not be used in competing with American trade on world markets. The shipping shortage, the German conquest of Europe, and the passage of the Lend-Lease Act all combined to make the export drive outmoded and it was, therefore, largely abandoned by the end of 1941.[37]

In the first days of the export drive, manufacture of almost any type of exportable product was viewed with favor by the

[34] *Economist*, August 31, 1940, p. 291.

[35] *Ibid.*, June 1, 1940, p. 984; September 21, 1940, p. 381.

[36] *Ibid.*, December 14, 1940, p. 745.

[37] For a discussion of this change in policy see the London *Banker*, October 1941, pp. 36-43.

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British government and received material and shipping priority assistance. This policy was gradually modified, and a more selective program was adopted in which exports to the United States were given preference over exports to the Sterling Area, and in which those products were favored for export manufacture that competed least with the war production program in Great Britain with respect to both skilled labor and raw materials.[38] This selectivity of exports was carried a step farther after the passage of the Lend-Lease Act so as to make certain that materials received from the United States under the provisions of that Act were not exported from Britain in such a way as to compete with American exporters of the item in world markets. By the end of 1941 British foreign exchange requirements had declined to such an extent that it was possible to restrict exports to those items essential to the economies of free countries, that had previously relied upon British manufactures, and to products needed for exportation to the United States in order to acquire the dollar exchange required to finance imports outside the Lend-Lease program.[39]

III

Import policy, like export policy, has been conditioned by available shipping and has been affected by the progress of German arms and changing relations with the United States. In the days of Mr. Chamberlain's government, there was established an Economic Policy Committee, headed by the Chancellor of the Exchequer, to reconcile the import policies of the purchasing ministries, such as the Ministry of Food and the Ministry of Aircraft Production, with the shipping available and the foreign assets on hand to pay for the imports.[40] In January 1941 this Committee was reorganized as the Import Executive. (The Import Executive also had control over ex-

[38] Chalmers, *loc. cit.*, p. 6.

[39] Chalmers, *loc. cit.*; *Economist Commercial History and Review of 1941*, p. 5; *New York Times*, October 9, 1941, p. 33; *The Times* (London), October 15, 1941, p. 8; and the London *Banker*, October 1941, pp. 36-43.

[40] Herman Finer, "The British Cabinet, the House of Commons and the War", POLITICAL SCIENCE QUARTERLY, September 1941, p. 333.

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port policy as well.) The Import Executive was composed of the Minister of Supply as Chairman, the Minister of Aircraft Production, the First Lord of the Admiralty, the President of the Board of Trade, and the Minister of Food, with the Minister of War Transport and the Minister of Shipping as advisors.[41]

It is not possible to describe British import policy in quantitative terms because import statistics were published only in very abbreviated form during 1940 and were suspended entirely early in 1941.[42] Import policy with respect to foodstuffs had to be worked out in the light of the shipping situation and, prior to passage of the Lend-Lease Act, the foreign exchange position. The general idea was to get the greatest amount of nutriment into Britain in the smallest possible bulk so as to save shipping space, and, as far as possible, to make purchases in areas where foreign exchange was relatively plentiful.

Import policy was influenced as well by considerations of high politics. The Ministry of Food purchased large stocks of West African cocoa to support the colonial economy after the European market had been lost. The whole wool clip of South Africa, Australia and New Zealand was purchased to guarantee maximum production of wool and, incidentally, to keep the Dominions happy about the economic impact of the war.

Britain agreed to purchase half of the 1942 Egyptian cotton crop despite the fact that it would have been simpler to purchase American cotton under Lend-Lease and the British really did not require the cotton. However, without the British market the Egyptian cotton growers would have faced financial disaster. Of course, the high quality of the Egyptian cotton made it especially useful for certain wartime purposes, but the chief reason for the purchase agreement was apparently political.[43]

[41] Jules Backman and Leo Fishman, "British Wartime Control of Aluminum", *Quarterly Journal of Economics*, November 1941, p. 23; and Finer, *loc. cit.*, p. 346.

[42] *Economist Commercial History and Review of 1941*, p. 17.

[43] *Financial News*, August 13, 1941, p. 1.

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The bulk of British imports was on government account by the end of the second year of war. The importation of cotton was brought under government control on April 1, 1941, when the government requisitioned stocks of raw cotton and took over the importation of cotton. During the time between the assumption of control by the government and the establishment of a formal organization, purchasing was handled through an informal arrangement between the Cotton Controller and the Liverpool and Manchester Cotton Associations, the latter agreeing to deal with their members on the basis of the Cotton Controller's instructions.[44] A little later the Ministry of Supply set up Cotton Importers and Distributors, Limited, a company composed of members of the two Cotton Trade Associations. This organization handled the cotton for account of the Minister of Supply's Cotton Control at a fixed fee of £500,000 per annum.[45] This arrangement lasted until April 1, 1942, at which time the Cotton Controller took over the actual purchase and distribution functions, employing efficient private companies as his agents, but himself taking responsibility for all transactions.

A different administrative device was employed in handling the importation of hides. Foreign purchases of hides for leather were carried on by an import pool through which the orders of all British leather manufacturers had to pass. This enabled the British to purchase hides abroad at a lower price than would otherwise have been possible if competition had prevailed.[46]

Great Britain controlled about 50 per cent of ocean-going merchant ship tonnage at the outbreak of World War II. The British have used their control over shipping to build up supplies of foreign exchange as well as to direct the importation of goods into Britain.[47] Thus on December 1, 1940, the

[44] *Economist*, April 5, 1941, p. 457.

[45] *New York Times*, January 18, 1942, III, p. 3.

[46] *Economist*, March 23, 1940, p. 533.

[47] Hobart S. Perry, "Ocean Shipping", *Harvard Business Review*, vol. XIX, p. 438.

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Ministry of Shipping raised homeward freight rates by 15 per cent on all types of cargo carried in cargo and passenger liners but excluding tramp shipping. This increase in shipping freight rates was made for the purpose of increasing the earning power of the ships and thus acquiring more foreign exchange. It was also designed to compensate the owners for higher operating costs.[48]

IV

When war broke out in September 1939, prevailing British policy with respect to export and import prices had to be modified. From the Ottawa Conference on, the British had through various devices attempted to force down their export prices so as to increase exports and thus give employment to the unemployed. War, however, brought in its train fuller employment and the necessity of getting the most out of the available labor supply. This meant specifically with reference to the foreign exchanges that it was not as desirable as formerly to have low export prices but, on the contrary, the higher the prices at which British exports could be sold, the greater the amount of foreign exchange that could be acquired for a given expenditure of labor and raw materials in British factories.[49]

The British, after the outbreak of war on an intensified scale in the spring of 1940, had to consider the most productive use of their limited manpower resources. Within the framework of the general decision to produce as much armament as possible without taking the civilian standard of life down below the level required for maintenance of working efficiency and health, the British allocated their manpower between domestic armament industry, domestic essential civilian industry and agriculture, and export industry with products that could be exchanged overseas for armaments, raw materials and foodstuffs being favored.

It was wiser to stimulate export trade as far as possible through institutional devices, such as the United Kingdom

[48] *Financial News*, October 30, 1940, p. 4.

[49] This point is discussed by *The Economist*, November 4, 1939, p. 162.

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Commercial Corporation, rather than to rely upon competitive pricing to increase sales of British products abroad. That is to say, it was better to advertise extensively in America the superiority of Scotch whiskies, so as to fence off a high price market in accordance with the usual calculations of monopolistic competition, than to attempt to increase sales of Scotch whiskies on the American market solely through price competition with American brands. In this way, a larger amount of dollar exchange could be procured for the same amount of British labor and raw materials exported abroad in the shape of foreign trade commodities—up to the point, of course, where the advertising costs exceeded the additional revenue resulting from such promotional expenditure.

In the early months of the war, when a large pool of unemployed labor still remained, the British encouraged export trade almost indiscriminately. As the British economy approached the bottom of the labor reservoir, however, the government became more selective in its export encouragement policy. Naturally, with skilled labor, capital equipment, raw materials and shipping space limited, the British preferred to export commodities which (1) did not compete too directly with the armament industries for skilled labor, raw materials and capital equipment, and (2) were in a particularly favorable competitive position on world markets so that the real terms of trade would be as advantageous as possible. To put it another way: if a choice had to be made between encouraging the production for export of two commodities which were equally noncompetitive with the armament industries for factors of production, that one would be chosen which could be sold abroad so as to net the greatest amount of foreign exchange per unit of input of productive factors.

On March 18, 1940, Britain signed with Spain a Trade and Payments Agreement. The primary purpose of this agreement was to clear up £4.5 million owing to United Kingdom business men from Spain since the early months of 1936. In 1936, a Trade and Payments Agreement had been signed in January but suspended in December because of the Spanish Civil War.

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The 1940 agreement provided for payment of these debts and set up machinery for future settlements. Under the same agreement, proceeds of Spanish exports to Britain were paid into a clearing account in London, and 45 per cent of the sterling in this account, it was agreed, would be used for the purchase of United Kingdom manufactures, while 45 per cent would be used to purchase commodities in other parts of the Sterling Area, with the remaining 10 per cent going for payments arising from "invisible" items.[50]

In the summer of 1940 the British concluded payment agreements with Brazil and Argentina. Residents of the Sterling Area, it was agreed, would pay for imports and for financial transactions through a special account, and payments from Argentina and Brazil to individuals in the Sterling Area would be made out of the respective special accounts.[51]

In December 1940, a trade agreement was signed with Turkey. It provided that payments between Turkey and the Sterling Area were to be made at the prevailing rate of exchange, thus stabilizing the pound with respect to the Turkish lira, and provision was made for the creation of restricted clearing accounts for special purposes.[52] In that same month, an economic accord was arrived at with Free French Equatorial Africa and with the Free Belgian Congo. The purpose of these agreements, as announced by the Colonial Secretary, was to maintain the economies of those countries by providing them with necessary imports and taking their export surpluses off their hands.[53] By the end of 1940, special clearing arrangements had been worked out with all countries excepting Russia, China, Japan, and some nations of Central America. Russia in July 1941 signed a payments agreement with Britain which provided for the financing of the whole of Soviet-Sterling Area trade through a centralized clearing account to be kept at the Bank of England in the name of the State Bank of the

[50] *Financial News*, April 29, 1940, p. 3.

[51] *Economist*, July 6, 1940, p. 13.

[52] *The Times* (London), December 5, 1940, p. 4.

[53] *Financial News*, December 18, 1940, p. 1.

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USSR." A special account was arranged with China late in 1941. Of course, there were no quotations on the Japanese yen after economic sanctions were applied in July 1941.[54] In May 1941, the Central American countries were linked together in a special payments agreement, and clearings between this group and the Sterling Area were handled as though the Central American countries were one.[55]

In 1940 an informal arrangement was worked out with the United States banks dealing in foreign exchange and with the Federal Reserve authorities under which all authorized payments between the United States and the Sterling Area were to be made thereafter in dollars or in Registered Accounts in British banks, with conversion between these accounts and dollars taking place at the official rate of exchange only.[56] Countries closely related to the Sterling Area although not actually inside it—such as Canada and Newfoundland—have been authorized to use their sterling balances in accordance with their own foreign exchange policy. Thus, in January 1941, an agreement was reached with Canada whereby Canadian residents were empowered to transfer their sterling balances between Registered, Special and ordinary sterling accounts after certifying that the particular transaction did not constitute a violation of Canadian exchange regulations.[57]

As operations under the various payments agreements providing for the use of Special Accounts have proceeded (such as the Argentine and Brazilian agreements described below) the problem of settlement has become more acute. In some cases, the clearing accounts grew too rapidly while in others the converse was true. There is some indication that trade policy has been altered to balance the foreign exchange position as reflected in the Special Accounts. Where balances were accu-

[54] *Economist Commercial History and Review of 1941*, p. 7.

[55] The countries included were Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama including the Canal Zone, Salvador and Venezuela. *Journal of Congress*, May 20, 1941, p. 4.

[56] *Economist*, July 20, 1940, p. 93.

[57] *Ibid.*, March 1, 1941, p. 278.

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mulating rapidly, exports to the nations concerned have been encouraged, while, on the other hand, they have been discouraged in the cases of those countries where balances were not available in the Special Accounts to pay for a large volume of imports from Britain.[58]

Some attempts have been made to develop multilateral payment facilities between Special Accounts of different nations. In the case of Sweden, for instance, there was once worked out a rough equivalent of triangular settlement under free exchanges. Sweden was allowed to use balances in its Special Account to settle debts owed to certain countries other than those in the Sterling Area. Military and economic developments were so rapid, however, that the delicate balance laboriously worked out was destroyed and there was a reversion to strictly bilateral payments.[59]

At the outbreak of war, the British government pegged the pound at $4.03 (mid-point) where it was afterwards held. For a considerable period after the pegging of the pound, there was, however, a large amount of free sterling available as the result of factors to be described below. The rate fixed between sterling and the dollar was apparently the result of an honest attempt to come nearer to the true value of sterling under the wartime trade position and was not planned primarily to win a competitive advantage in foreign trade. Indeed, in wartime it was to the advantage of the British to make their exports dear to Americans so as to get the greatest amount of exchange for each unit of labor and materials put into manufacturing for export. Statements by members of the government support this view.[60] This interpretation is also reinforced by the fact that the pound-dollar rate has not been altered thus far during the war (April 1943).

The official buying and selling rates for foreign currencies in London were first quoted in such fashion as to give an artificially large spread. This was done in order to make the

[58] *Ibid.*

[59] *Ibid.*

[60] *Financial News*, February 28, 1940, p. 1; and June 25, 1941, p. 1.

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exchange control self-supporting. By January 1940, however, it had become apparent that the cost had been overestimated and the spread was reduced. For example, the New York rate which had been 4.02–4.04 became 4.025–4.035.[61]

The British had pegged the pound in relation to the dollar at about $4.68 over a considerable period of time prior to the outbreak of war. On August 25, 1939, however, the British Exchange Equalization Fund removed its support and the rate fluctuated widely for about a week until the wartime stabilization was effected at the central rate of $4.03. This rate "was maintained, first, by tacit approval of transactions on the unofficial markets; by control of capital movements, which gradually was tightened; by the sale of gold, dollar balances and securities abroad; by the control of imports; and, finally, by restrictions on the use of sterling balances acquired by foreigners in the course of trade." [62]

The problem of free sterling was much to the fore in the first year of the war. Sterling balances not subject to exchange control were largely the product of two types of activities; namely, "the exportation of capital by non-residents and . . . the sale of sterling by sellers of merchandise to the United Kingdom who had invoiced in sterling." [63]

When exchange restrictions were tightened up at the end of the first winter of war, free sterling fell sharply in New York because the use of free sterling and, therefore, the demand for it were much restricted by the new exchange regulations.[64] This interpretation of the fall in free sterling in the spring of 1940 was also given by the Chancellor of the Exchequer in a written reply to a Parliamentary Question on April 9, 1940.[65]

[61] *Economist*, January 13, 1940, p. 65.

[62] S. E. Harris, "External Aspects of a War and a Defense Economy: The British and American Cases", *Review of Economic Statistics*, vol. 23, p. 15.

[63] *Ibid.*, p. 17.

[64] *Economist*, March 30, 1940, p. 578.

[65] *Financial News*, April 10, 1940, p. 1.

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In the first year of the war, Sterling Area countries experienced a rapid growth of their assets in London.[66] Prices of primary products provided by the outer British Empire rose in the early months of the war, and the purchases of such products by Great Britain tended to become more and more concentrated in these areas where the exchange problem was not too difficult. Throughout 1941 the growth of sterling funds to the credit of Empire countries in London continued.[67]

In the early months of the war, as has been said above, the British exchange control authorities were liberal in granting licenses. In general, "transactions for the purpose of liquidating old contracts, defraying reasonable traveling expenses, or meeting reasonable business requirements, such as payments on imports, insurance premiums, claims, or freight charges, were for the most part freely approved, but others were subject to review."[68] This liberal control policy was costly in exchange. The rubber trade is a case in point.

During the first six months of the war, it is believed that a large part of Empire rubber was purchased with free sterling which was available in the New York market. This meant the loss of much in the way of dollar assets that could otherwise have been acquired by the British. Not only was there great leniency in administering the control over foreign balances, but there was apparently a considerable amount of evasion of the

[66] The war caused numerous changes in the territories making up the Sterling Area. In the early months of the war, some members of the Sterling Area, notably Sweden, Japan and Argentina, abandoned the sterling peg and tied their currencies to the dollar. (*Statist*, October 28, 1939, pp. 452-454.) In 1940, the Sterling Area comprised the "British Empire including the mandated territories, Egypt and Iraq, but excluding Canada, Newfoundland, and Hongkong." (P. T. Bauer, "Rubber and Foreign Exchange", *Economic Journal*, June–September, 1940, p. 23.) Hongkong was brought within the Sterling Area in the summer of 1941 when Japanese assets in Britain were frozen. (*Economist*, August 9, 1941, p. 176.) After they were taken over by the British in 1941, Iran and Syria were added to the Sterling Area. In April 1941, the Free French Empire, Iceland and the Faroe Islands were included. (*Economist*, April 12, 1941, p. 491.) Hongkong, Malaya and Burma were lost to the Sterling Area, of course, by Japanese conquest in late 1941 and early 1942.

[67] *Economist*, September 7, 1940, p. 313; January 3, 1942, p. 15.

[68] *Federal Reserve Bulletin*, December 1939, p. 1040.

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exchange control restrictions in the early months of the war. In November 1939, it was announced in Malaya and Ceylon, through the government gazettes in those colonies, that no exports of rubber to destinations outside the Sterling Area would be allowed unless payment in foreign currency could be proved. This caused considerable confusion in the rubber market and the regulations were shortly modified. The modifications made it possible to procure an export license for rubber if the shipper undertook "to furnish evidence within six months of shipment that payment in sterling had been received for the rubber." Finally, in the winter of 1940 the government issued an Order in Council (S.R.O. 291) which prohibited the export of rubber, tin, and certain other commodities unless "payment in full foreign exchange at the official rate has been received." [69]

On June 8, 1940, the decision was reached "to block sterling securities held by non-resident investors and further to require payment for all British exports to the United States and Switzerland in sterling obtained at the official rate or in dollars or Swiss francs." British wartime exchange controls reached their full scope only in July 1940. On July 17, 1940, an Order in Council gathered all exchange accruing from exports to a central reserve.[70]

Coincident with this drastic tightening of exchange controls, steps were taken to modify the gold policy for the benefit of the Treasury. At the outbreak of war, the gold held by the Bank of England in its issue account, amounting to about £280 million, was transferred to the Exchange Equalization Account.[71] During the ensuing year, the Exchange Equalization Account was always willing to purchase gold offered for sale against sterling. By the end of the year, however, the Bank of England as agent for the Exchange Equalization Account began to refuse such gold offerings for the reason that in most cases the foreign owner of the gold was taking the proceeds out of the country so that no net foreign exchange assets were

[69] Bauer, *loc. cit.*, pp. 235, 236, 237.

[70] *Economist*, July 27, 1940, p. 124.

[71] *New York Times*, September 7, 1939, p. 9.

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accruing to the Treasury. Furthermore, the British at this time, prior to the passage of the Lend-Lease Act, needed purchasing power in the United States and Canada and thus had to ship the gold across the Atlantic so that they were, in effect, making a present to the owner of the gold amounting to the shipping and insurance costs. As a result, the Bank of England undertook to grant export licenses for gold rather than to buy the gold for sterling and thus permit the owner to convert into foreign exchange.[72]

V

In summary, it may be said that British policy with respect to foreign trade and exchange controls has been generally successful. The British population has been maintained at a high level of working efficiency, and morale has been excellent. Furthermore, the industrial effort has accelerated much more rapidly than in World War I, and in April 1943 the British economy was turning out armament at a per capita rate never approached in the earlier war. Huge quantities of imported commodities were essential to successful mobilization of the British industrial system as well as to maintenance of the health and morale of the people. The trade and exchange policy, greatly aided by Lend-Lease in more recent months, secured the necessary imports.

Treasury management of British-owned foreign securities seems to have been effective. The limited reserves of dollar exchange were used to good advantage in the days prior to passage of the Lend-Lease Act. After that Act passed on March 11, 1941, the payment problem was eased. The Treasury showed flexibility and imagination in its security management policy as the shrewd timing of certain sales on the American market testifies. Furthermore, the Treasury, after the American Viscose experience, did work out an alternative method in collaboration with the Reconstruction Finance Corporation whereby securities could be pledged against loans, thus avoiding the necessity of outright sales.

[72] *Economist*, August 31, 1940, p. 284.

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The British experience seems to indicate that reliance upon private firms alone to carry out wartime foreign trade policy is not feasible. It must be said, however, that the partial failure of the government-sponsored private export groups in implementing British foreign trade policy is not necessarily conclusive for the reason that the private groups were never given complete authority and autonomy but were hampered by government regulations to a considerable extent. While it appears that the government trading organization, the United Kingdom Commercial Corporation, has been successful in its operations, no definitive judgment can be rendered until after the war, because for reasons of military security British foreign trade statistics are at present severely restricted.

One salient characteristic of the British trade and exchange policies has been their sensitiveness to changes in the shipping position. Indeed, the Economic Policy Committee (later the Import Executive) was established partly in recognition of the need for a central body that could reconcile the import programs of the various government agencies with the available shipping.

Another major determinant of British trade and exchange policy was always the changing fortunes of war. Passage of the Lend-Lease Act on March 11, 1941 obviously changed the basic postulates of British policy at that time, making possible a revision in the light of more liberal American financing practices. Similarly, the alliance with Russia changed the whole basis of trade with that country and called for a vast expansion of British exports to Russia through Murmansk and the Persian Gulf. In view of the always critical shipping situation, this development undoubtedly reduced the possibilities of trade with other parts of the world by requiring a very substantial proportion of Allied shipping resources.

BUFORD BRANDIS

FEDERAL RESERVE BANK OF ATLANTA

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WARTIME PROFITS OF RUSSIAN INDUSTRY

1914–1916

THE question of war profits has always been a subject of great controversy. The thought that, while millions were exposing themselves to every form of privation and to the danger of serious injury or sudden death, a much smaller number were quietly building up huge fortunes has quite understandably moved men to resentment and anger. Unfortunately, the emotions that the very thought has provoked have usually operated to prevent any sane discussion of the facts.

Yet such a discussion is vitally necessary. How war affects a modern country in its toll of dead and wounded is supplied by military statistics. The boundary changes which follow can be traced on a map. But the economic results of any war are harder to trace. How is each section of the population affected by the way in which the war makes use of its services? Aside from the personal tragedies which war always brings, who is economically harmed and who, if anyone, is benefited?

In answer to the last question it has often been stated that the economic beneficiaries of modern war are the owners and operators of industry, particularly those who supply the needs of the war machine. Indeed, by some it is taken for granted that profiteering is a normal part of war economics. Partisans of every kind have affirmed or denied this with great indignation but have generally refused to investigate it. Often this refusal has been made on the grounds that the truth could not possibly be determined, that fate or the other side had seen to the disappearance of the vital source materials. In some cases and countries this is undoubtedly so, but more often it has been a matter of insufficient use of materials which were available and ready to be used.

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Russia in the first World War is such a case. Fortunately, for Russian industry—and the question is made doubly interesting by the profound consequences of the first World War in that country—there do exist valid sources as to the amount of profits. These are the summarized financial statements presented by every Russian corporation to the Russian government and available in almost complete form in the Russian Collection of the Columbia University Library.

In 1898, when Russia first taxed corporation profits, it set up an elaborate system by which the government could keep a check on tax returns. Most important in this system was the requirement set down that

> the management of an enterprise is obligated, within a month after the approval by the general meeting of stockholders or corresponding institution, to prepare an annual account of the enterprise . . . and is obligated to present to the local *Kazennaia Palata*[1] a full annual account and balance sheet in four copies and also a copy of the minutes concerning the approval of the above-mentioned account. . . . . .
>
> Independently of this, the Directors, responsible agencies or principal representatives of enterprises are obligated at times pointed out in Article 102, to publish annually, according to a price established by the Ministry of Finance, in the *Viestnik Finansov*,[2] the balance sheets of industrial and trading enterprises and abstracts from their annual accounts, concerning which at the very same time they have to inform the local *Kazennaia Palata*.[3]

The Ministry of Finance in its instructions stipulated that "among the number of enterprises obligated to publish accounts there are . . . commercial and industrial enterprises which are corporative societies and companies, limited joint stock and other joint stock companies. . . ."[4]

[1] This Fiscal Board was the local organ of the Ministry of Finance.

[2] The *Financial Messenger* was the official publication of the Ministry of Finance.

[3] *Sobranie Uzakonenie i Rasporiazhenie Pravitelstva* (*Collection of Government Statutes and Ordinances*), 1898, Art. 964, no. 102 and no. 104.

[4] *Ibid.*, 1899, Art. 838, no. 51, # 2.

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As a result of these provisions there now exists a large quantity of the best possible kind of information on the Russian firms which operated during the first World War. Since there legally had to be both an annual statement of profit and loss and an annual balance sheet for every corporative enterprise operating in Russia, it appeared profitable to investigate these sources in order to determine how industrial profits and those who received them fared under the stress of war.

Just how usable and reliable were these printed financial reports? First, on the score of usability, they are satisfactory. Their contents were outlined by law. Generally speaking, the form had to be approved by the Ministry of Finance. More specifically it was provided that

> the balance sheet of the enterprise for the preceding year must correspond to the accounts of the separate items, composed in such fullness and detail that from them are clearly evidenced a.) how and to what degree each of the above-mentioned operations was conducted in the course of the year accounted for, b.) what results (profit and loss) were attained by these operations, and c.) how in each item the articles included are transferred to the assets and liabilities of the balance sheet. . . .

Further provisions were made for treating particular items such as debts, interest-bearing commercial paper, merchandise, land and capital of all kinds; and the method of computing profits was outlined.[5]

It was apparent, therefore, that the accounts had to have a broad uniformity, although later examination of the accounts themselves revealed many diversities in detail.

The question of reliability is more difficult. It must be recognized first of all that in the making of these accounts a peculiar situation existed. Since the statement of profit and loss was to be used as a basis for taxation, the company involved was interested in keeping the reported profit as low as it possibly could. Conversely, the government was interested in seeing that all profits actually made were stated in the accounts and thus subjected to taxation. These forces, pulling

[5] *Ibid.*, no. 55, #3, #4-10.

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in opposite directions, would presumably operate to keep the statements of profits within reasonable limits of accuracy.

In this tug of war, the company had the initial advantage, for to it was entrusted the drawing up of the account in the first instance. If the government disputed the accuracy of the report it would have to furnish proof to support its contentions, and when such proof was not forthcoming the statement of the company would have to stand.

In order to afford the government means for overcoming this initial advantage, there were several provisions written into the law regarding the inspection of these accounts. The *Kazennaia Palata*, local organ of the Ministry of Finance in charge of the collection of taxes, was made responsible for the financial statements and their publication. First of all, the published accounts had to check with the fuller accounts presented to the *Kazennaia Palata*, and with the minutes of the stockholders' meeting. If the accounts were unclear or incomplete, the *Kazennaia Palata* was empowered to ask for supplementary information, which the companies were obligated to supply within one month. When the percentage of profit as reported turned out to be less than it should have been, the company involved was obligated to produce additional payments within a month. Finally, in case there was a failure to present the account within six months after the time set, or where there was obscurity, incompleteness or doubt as to correctness, the *Kazennaia Palata* had the right to make an audit of the company's books, provided there was no other way of determining the net profits of the enterprise.[6]

The company was not quite so helpless in all this as it might seem. Each step taken by the *Kazennaia Palata* had to be preceded by a warning. Furthermore, the audit could be ordered only by a special decision of the Ministry of Finance and had to be made by the president or other official of the general office of the *Kazennaia Palata* in the presence of an official of the company concerned. Minutes of the audit also had to be kept. Finally, the company had the right of complaint, and could appeal the decisions of the general office of

[6] *Sobranie Uzakonenie*, 1898, Art. 964, nos. 107, 109, 110.

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the *Kazennaia Palata* through the *Kazennaia Palata* itself to the county office, then to the provincial office for the collection of industrial taxes, and, if the need be, even to the Governing Senate, the highest court of the land.[7] The rights of the company were, therefore, fully safeguarded.

Machinery to enforce a law, however, has seldom been considered effective without penalties sufficient to make the game of lawbreaking not worth the candle. In this matter of penalties, the Russian government changed its policy radically, once the war was well under way and the profits tax had become a fruitful source of revenue. The early penalties had been set forth in the first profits tax law in 1898 and were directed almost wholly against the nonpayment of taxes per se, a matter covered by the general laws against defrauding the treasury. Apparently, the matter of financial reports was not considered seriously, for only a fine of "not more than 300 rubles" was to be levied for non-presentation of the accounts or the supplementary information required by the *Kazennaia Palata*. For information that was left incomplete without good reason, the fine was a mere 100 rubles.[8] To a million-ruble corporation, this was merely an inconvenience.

The new provisions of the law of May 13, 1916 differ markedly. By this time the profits tax had become a lucrative source of income to the state. The fine was raised to 500 rubles for non-presentation of the accounts, but for communicating to the *Kazennaia Palata* incorrect information designed to make the tax less than it should have been, or to avoid the tax altogether, there was to be a fine ranging from twice to ten times the unpaid sum. Furthermore, if this fine was not paid within one month's time the matter was to be treated as a criminal offense. Only the reiteration of the right of appeal mitigated this rule.[9] Clearly, if Russian officialdom was at all efficient, there would be little chance for inaccuracy in the reports.

The financial reports, then, have considerable value as

[7] *Sobranie Uzakonenie*, 1898, Art. 964, nos. 107-110, 111-113; Art. 838, no. 66.

[8] *Ibid.*, Art. 964, nos. 164-165.

[9] *Ibid.*, 1916, Art. 998, nos. 21, 22, 24, 25.

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materials for the investigation of wartime profits. In general form the accounts presented by the various enterprises are comparable and lend themselves to compilation. The law provided for adequate supervision by the government, and, in the last war year for which these reports appeared, there were also severe penalties for falsification. But in view of the companies' great initial advantage in making the report, the safeguards afforded them in their right of appeal, and, above all, the legendary inefficiency of the Russian bureaucracy, it is probable that actual profits were higher than those reported by the companies. Certainly they were not lower.

. . . . . .

Any investigation of wartime profits immediately encounters some preliminary problems of method. A statement of wartime profits per se is meaningless. In order to determine the effect of war on industrial profits, one must have adequate data concerning peacetime profits; else, the study takes place in a vacuum. Furthermore, since different industries may be affected in different ways, any over-all total might conceivably be distorted by special circumstances prevailing in a single industry. Even the making of a combined total for one industry may involve the difficulty of eliminating firms that are not comparable with the others in the group. And finally, it is necessary to define just what is meant by "profits", by "capital", and by the other terms the meanings of which are often so easily assumed and as easily disregarded.

The limitations of the material itself determined the years to be compared. The momentous events of 1917, and the crumbling of governmental efficiency that preceded them, affected even the obscure corner of the field of governmental operations occupied by the *Viestnik Finansov*. The number of firms which thought it unnecessary to report their operations grew progressively larger as 1917 wore on, and, by the time of the November Revolution, issuance of the *Viestnik Finansov*, in which the reports were published, ceased altogether. As a result it is impossible to get a satisfactory number of reports for any period beyond the middle of 1916. The fiscal years,

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moreover, were extremely irregular among the individual enterprises. The instructions issued pursuant to the tax law of 1898 had stipulated that the fiscal year of all firms was to extend from January first to December thirty-first, but at the same time an exception covered all firms whose charters specified other dates.[10] The result was that most of the firms whose reports have been examined had fiscal years which did not correspond either to the calendar year or to one another's fiscal years. Solely on the basis of these considerations, the war years to be studied were determined as 1914-15 and 1915-16.[11]

The peacetime years with which these selected war years were to be compared were chosen as 1911-12, 1912-13 and 1913-14, the three years directly preceding the outbreak of the conflict. While, for the purposes of this investigation, these three years are designated "normal years", it should be kept in mind that these were abnormally good business years. From 1910 on, in fact, there was an industrial boom characterized by heavy new investments[12] and high prices generally, and by a remarkable expansion of the metals industries in particular.[13]

[10] *Sobranie Uzakonenie*, 1899, Art. 838, no. 55, # 1.

[11] The terminal dates of the reports varied all the way from February 15 to October 15 but most terminal dates were near the mid-point of the calendar year and the mean date was quite close to July 1. Consequently, if an account prepared by an enterprise covered a full year's operations from any date between February 15 and October 15, 1915 to the corresponding date in 1916, its report would be considered in the 1915-16 group. The 1915-16 period, therefore, roughly represents the late part of 1915 and the early part of 1916. The nature of the material itself, it can be seen, made a more precise classification impossible.

[12] For example, new stock issues on the Petersburg Bourse totaled 416,040,000 rubles for the period 1910-12 as compared with 81,186,000 rubles for 1907-9. I. I. Levin, "Petersburgskaia Birzha v 1899-1912 gg. i dividendnaia tsennosti" ("The Petersburg Bourse in 1899-1912 and the Value of Dividends"), *Viestnik Finanzsov* (*Financial Messenger*), Ministry of Finance, March 30, 1914, p. 605.

[13] *The Economist* (London) of April 11, 1914, p. 870, had this to say: "The year 1913 has been one of exceptional industrial development in Russia, characterized by an increased demand, shortage in the supply of raw materials and labor, a growing output, an influx of capital and high prices." Furthermore, I. Kan'ishser, writing in the official *Viestnik Finansov*, argued for a reduction in the protective tariff on metals, saying that since the end of 1909, as a result of the great emphasis on military and naval armament, even the

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Consequently, a comparison with such prosperous pre-war years will tend to underplay the increase in profits resulting from war.

Granted that war affects industry, it does not affect all industries in the same way. To evaluate truly the influence of the war, it was necessary to consider its particular consequences in the different industries which varied with respect to their share in special war production, and therefore to classify Russian industry in this regard. For the period of the first World War, statistics in Russia are in a rather sorry state. Even so, it was possible to collect some half-dozen statistical series, issued officially, which contained tabulations, by industries, of either the total number of workers or the number of "defense workers", that is, presumably those working on defense contracts. From among these, two were chosen, principally on the grounds of completeness: one showing the total number of workers and the other showing the number of defense workers.[14] By means of a comparison of the two, it was possible to draw up a table indicating the percentage of the workers of each industry who were engaged in defense. The industries thus tabulated fell naturally into three distinct groups:[15]

heavily increased production was insufficient to meet demand and that shortages of copper and iron existed. "Zadachi Protektsionizma v mettalo-obrabatvsvaiushchei promyshlennosti" ("Problems of Protectionism in the metal-working industries", *Viestnik Finansov*, Jan. 26, 1914, p. 139.

[14] The two sets finally chosen were: (a) workers by industrial groups, Jan. 1, 1917, published in Tsentralnoe Statisticheskoe Upravlenie (Central Statistical Administration), *Statisticheskii Sbornik 1913-1917 gg.* (Statistical Compendium, 1913-1917) (Moscow, 1921), vol. 1, p. 39; (b) workers for defense by industrial groups, Dec. 1916, published in Tsentralnoe Statisticheskoe Upravlenie, Otdel Voennoi Statistiki (Central Statistical Administration, War Statistics Section), *Rossiia v Mirovoi Voine 1914-1918 goda* (Russia in the World War 1914-1918) (Moscow, 1925), p. 71. These two were almost comparable in time. Since all the sets of statistics examined were based upon census questionnaires or factory inspectors' reports, they were all admittedly incomplete. However, the two sources selected consistently had the highest totals and therefore were adjudged most complete. The criterion used for determining the share of the particular industry in defense work was the number of workers by industry, because workers represent the best comparable unit for different industries and because such figures were most easily to be had.

[15] The percentages indicated for the metals and chemical industries are, of course, impossible. But it must be kept in mind that they are the result of the

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	Per Cent
A. Industries wholly or almost wholly engaged in defense production:	
1. Metal manufacture	100+ [a]
2. Chemical industries	100+ [a]
3. Extractive industries (fuels and metal ores)	94.6
B. Industries largely engaged in defense production:	
1. Textiles	73.2
2. Animal products (leather, furs, etc.)	72.9
3. Textile products	71.4
C. Industries only incidentally producing for defense:	
1. Minerals [16]	34.8
2. Woodworking	29.5
3. Paper and printing	19.8
4. Foods, drinks and narcotics	16.9

[a] See note 15.

From each of these classes (A, B and C) an industry was chosen as representative. In this way, the financial reports of the metals industry, the textiles industry and the foods industry were selected for study.

Within each of these industries the attempt was made to examine the financial reports of all corporations which met the following conditions: the enterprise had to be exclusively in one of the above industries; the statements had to be clear enough to permit analysis and comparison; and the statements had to cover normal [17] operations in the years already selected, i.e., 1911-12, 1912-13, 1913-14, 1914-15, 1915-16. All other corporations were eliminated.[18]

comparison of two sets of statistics of a different degree of completeness. Apparently, the figures for the number of defense workers were more complete, and this probably renders all the percentages a trifle high. But for comparative purposes their validity is unimpaired. Particularly is this true since a safety margin exists in the large differences in percentage between the groups. If the statistics used have any validity, the categories are correct.

[16] "Minerals" is a highly miscellaneous category, including among other items, earth, sand, clay, chalk, gypsum, graphite, asbestos, mica, construction and sculptor's stone, technical stone, mineral fertilizers, salts, precious stones, glass, ceramics, and cement.

[17] That is, excluding those enterprises which were in process of liquidation.

[18] Classification of enterprises as to industry was made on the basis of the classification of Soviet Siezdov Predstavitelei Promyshlennosti i Torgovli (Council of Congresses of the Representatives of Industry and Commerce),

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The final preliminary task was to define what was meant by the terms used; namely, (1) capital stock, (2) profits before profit taxation, (3) profits taxes, (4) profits after profit taxation and (5) percentage of profits. The amount of "capital stock" was clear in almost all cases and was labeled as such in the published reports, but "profits" was more elusive. Russian accounting, at that time, had not reached the level of an exact science. Practice varied considerably, and it was therefore imperative to define clearly just what was to be included as profit and what was to be excluded as a part of the normal expenses of the corporation.[19] It was decided to consider the following as normal expenses in a given year and therefore not a part of profits: all current taxes (except those on profit), deductions for amortization or depreciation of property, payments into amortization and depreciation funds, profits carried over from previous years, and write-offs for bad debts. On the other hand the following items were considered as a disposition of profits already earned: tax payments due for previous years, payments into all funds excepting those for amortization or depreciation, rewards and bonuses of all kinds,

Fabrichno-Zavodskiia Predpriiatiia Rossiiskoi Imperii (Factory and Mill Enterprises of the Russian Empire) (Petrograd, 1914). Subject to the above rules the following were chosen:

Industry	*No. of Firms*		*1913-14 Capital Stock* (rubles)	
A. Metals		29		74,706,927
B. Textiles				
1. Cotton	35		117,610,000	
2. Wool	9		15,100,000	
3. Linen, hemp, jute	10		11,075,000	
4. Silk	5		7,100,000	
5. Unknown or mixed	7	66	14,764,000	165,649,000
C. Foods				
1. Sugar	52		70,042,500	
2. Flour	10		13,160,000	
3. Alcoholic beverages	13		11,650,000	
4. Vegetable oils	3		2,200,000	
5. Starch	3		1,000,000	
6. Others	7	88	7,025,000	105,077,500
Total		183		345,433,427

[19] The instructions of the Ministry of Finance are unusable in this regard since they exempt items which are clearly a part of corporation profits, for example, bonuses for directors.

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expenditures for social services or special donations for war work, taxes on profits, dividends to stockholders, and any balance carried over to the succeeding years. The item "profits taxes" was used to designate the taxes on industrial profits and on their growth. And percentage of profits was to be computed on the base of capital stock.

Such were the rules under which the investigation was made. What were the results? Here no single figure which will accurately denote profits can be given. The question of wartime profits was of special interest to three groups: the consumers who paid the profits, the government that taxed the profits, and the owners and operators of Russian industry, who pocketed the profits. Let us, therefore, examine these three facets of the problem.

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To the consumer it did not matter how heavily profits were taxed, since before they could be taxed they had to be earned, and he, the purchaser, had to pay them. Consequently, he was interested in profits before they were taxed. Here the financial reports tell a simple but amazing story. The total profits of the 183 selected firms in the three industries rose from less than 40 million rubles in 1913-14 to over 180 million rubles two years later. The rate of profits swelled in the metal industry from a pre-war average of about 14 per cent to 62 per cent, in textiles from 9 per cent to 43 per cent, and in foods from 9½ per cent to 40 per cent.[20] The more detailed figures amplify this:

PROFITS BEFORE PROFIT TAXATION

	METALS		TEXTILES		FOODS	
	Profits	*Rate*	*Profits*	*Rate*	*Profits*	*Rate*
1911–12....	7,220,375	11.6	13,868,508	8.6	10,675,027	11.0
1912–13....	9,878,157	13.6	16,589,507	10.2	9,254,751	8.9
1913–14....	13,421,116	18.0	16,490,241	10.0	9,511,692	9.1
1914–15....	20,202,119	26.5	28,019,682	16.7	25,444,061	23.5
1915–16....	56,277,514	62.5	79,877,935	43.1	47,462,901	40.0

[20] The average percentages for the pre-war years were obtained by simply adding the percentage of profits for 1911-12, 1912-13, 1913-14, and dividing by three.

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It is evident that, compared to the averages of the three pre-war years, the consumer paid the metal industry an additional 12 per cent of profits in the first war year and an additional 48 per cent of profits in the second war year. He dug into his pocket and supplied textiles with 7 per cent and 33½ per cent additional profits in the two years, and he shouldered the load of another 14 per cent profit for the foods firms in 1914-15 and of a 30 per cent profit above the pre-war level for the same companies in 1915-16. Certainly there were grounds for dissatisfaction on the part of the consumer; his burden was enormous.

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In the face of these tremendous war profits, what was the government's attitude? Since the Russian government itself was one of the major consumers, would it be satisfied with this state of affairs?

We cannot examine here the furore over war profits, the controversy in the press, the speeches in the Duma, the statements of the ministers. We can only record the official measures actually taken.

Ever since 1898 the Russian state had been drawing revenue from the graduated tax on industrial profits, and in 1906 the general rate had been raised and the tax on the higher profits brackets had been more steeply graduated. The schedule of 1906 was applied until 1914 and its rate was comparatively mild. Profits of from 3 per cent to 20 per cent on capital stock were taxed on a sliding scale ranging from 3 per cent to 14 per cent of the amount of profit. For profits above 20 per cent, there was a 14 per cent tax on all net profits plus an additional levy of 10 per cent on the portion over 20 per cent. In this way, the highest possible tax could not amount to more than 24 per cent of the net profit.[21]

With the commencement of the war in the fall of 1914, the Russian government needed additional revenue and on October 4, as part of a general increase in industrial taxes, it applied

[21] *Sobranie Uzakonenie*, 1906, Article 98, no. 2, a, b. As originally enacted, this law was to last two years but it was extended repeatedly, on Feb. 16, 1908 for two years (1908, Art. 273), on Dec. 25, 1909 for the same period (1910, Art. 27), and on Dec. 20, 1911 until January 1, 1915 (1912, Art. 45).

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a blanket increase of 50 per cent of the 1906 schedule. At the same time, by an additional proviso, the ceiling for the tax was set at 30 per cent of total net profits.[22]

After a year and a half of warfare, the government passed an even more rigorous supplementary law imposing a heavy tax on all "abnormal" profits. This law proceeded on the theory that the years 1913 and 1914 were "normal" years and that, therefore, all profits which exceeded the average profit rate of the enterprise for these two years were abnormal and subject to a special graduated tax on the "growth of profits".[23] Provision was made, however, that if a firm had earned less than 8 per cent on capital stock in the "normal" years, it should nevertheless be assumed that 8 per cent was a normal return, and only the profits exceeding 8 per cent should be subject to this tax. This of course eliminated from this special tax all firms whose profits in the war years represented a return of less than 8 per cent on capital stock. This tax was to fall upon the amount representing additional rate of profit in the following way:

Abnormal Increase in Profit Rate (computed on capital stock in given year)	*Tax on Amount Represented by "Abnormal" Increase in Profit Rate*
(per cent)	(per cent)
From 8 to 9	20
9 10	21
10 11	22
11 12	23
12 13	24
13 14	26
14 15	28
15 16	30
16 17	32
17 18	34
18 19	36
19 20	38
more than 20	40

[22] *Sobranie Uzakonenie*, Nov. 12, 1914, Art. 2870, A III 4a.

[23] The tax law sets up special categories for corporations whose capital stock has remained constant and for those whose capital stock has increased. For the first category it provides for computations of the tax on the basis of amount of profits and for the second on the basis of profit rate. But in actuality there does not appear to be any real distinction since in both cases the profit rate must be considered in order to apply the schedule.

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It may be seen, then, that the rate of taxation was raised considerably. Indeed, as opposed to the 30 per cent limitation set in 1914, it was stated that the total tax on profits, consisting of both this new tax on profit increase and the 1914 profit tax still in force, might go as high as 50 per cent of the total net profit for any one year.[24]

But it is also apparent, from the nature of the law, that the Russian government was not trying to abolish abnormal war-time profits. The 50 per cent limitation bears witness to that. What the government attempted, apparently, was to maintain a profit incentive sufficient to make Russian industry want to operate at full speed, and at the same time to tap a lucrative source of revenue.[25]

How did these taxes work out in practice? For one thing, the government's income from the levies on industrial profits grew enormously. In 1913-14, the last pre-war year, the state derived 4,983,362 rubles from the 183 firms investigated, but two years later, in 1915-16, it collected no less than 75,031,218 rubles from these same firms, a fifteenfold increase.

The share of the profits which the Russian state took for itself naturally grew larger until by 1915-16 it was apportioning to itself about two fifths of all profits:

PERCENTAGE OF PROFITS GOING TO PROFITS TAXES

	Metals	*Textiles*	*Foods*
1911–12	12.7	7.9	12.7
1912–13	13.9	10.3	13.3
1913–14	15.6	11.4	10.6
1914–15	29.0	19.6	25.8
1915–16	44.7	38.3	40.7

The government had become a full-fledged partner in the business of abnormal war profits; but the government was also a major consumer, and in metals and textiles bought the overwhelming mass of the goods produced. Consequently, the Russian state was in the somewhat ludicrous position of being a partner in the financial process of milking itself dry.

[24] *Sobranie Uzakonenie*, May 14, 1916, Art. 998, nos. 3, 4, 7, 8, 13b.

[25] It is possible that the tax law was a sort of reply to clamor against war profiteering, but, judged simply from the law itself and the effect it had, its purposes seem to have been as outlined above.

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More directly concerned in the question of war profits were the owners and operators of Russian industry, for profit was characteristically their income. Just how much more or less did they receive as a result of the war situation?

Taxes, of course, were the principal check on the growth of their income, and wartime taxation considerably reduced what would otherwise have been prodigious profits. In metals, for example, where profits taxes had reduced the 1911-12 profit rate only from 11.6 per cent to 10.1 per cent, they cut the 1915-16 profit rate from 62.5 per cent to 34.6 per cent. Textiles tell a similar story: the 1911-12 profit rate was 8.6 per cent before profit taxation and 8 per cent afterward, while in 1915-16 the rate was lowered from 43.1 per cent to 26.6 per cent. And in foods, the 1911-12 reduction from 11 per cent to 9.6 per cent may be compared with the 1915-16 cut, imposed by profit taxation, from 40 per cent to 23.7 per cent.

Even so, profits after taxation were still quite large. In terms of rubles, all three branches of industry showed great benefits from the war, with total profits tripling.

PROFITS AFTER PROFIT TAXATION

	METALS		TEXTILES		FOODS	
	Profits	*Rate*	*Profits*	*Rate*	*Profits*	*Rate*
1911–12....	6,300,229	10.1	12,779,698	8.0	9,318,072	9.6
1912–13....	8,503,427	11.7	14,884,127	9.1	8,024,731	7.7
1913–14....	11,321,644	15.2	14,610,810	8.8	8,507,233	9.0
1914–15....	14,348,997	18.8	22,529,662	13.5	18,885,186	17.5
1915–16....	31,145,348	34.6	49,284,929	26.6	28,156,855	23.7

In rate of profit the increase was quite even among the three industries, and, generally speaking, the trend of increase among the subdivisions of these industries was similar. Only in the case of alcoholic beverages was there a marked difference from the picture as a whole. Thirteen beer, vodka and wine companies suffered a 15 per cent loss in the first war year and barely broke even in the second; but, as the same companies had taken a 3 per cent loss in the year just prior to the war, this situation could not have been solely a war phenomenon.

How do the three branches of industry selected compare

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with respect to the increase in their profit rate? When we contrast the wartime and peacetime profit rates (after profits taxes had been deducted) by means of an index number, it appears as though there is but slight difference in the way the war affected the different industries.[26] Certainly, there does not appear to be a correlation between the increase in profit rate and the degree of participation in defense production.

INDEX OF PROFITS AFTER DEDUCTION OF PROFITS TAXES

	Metals	*Textiles*	*Foods*
Three pre-war years, average	100	100	100
First war year (1914-15)	153	156	200
Second war year (1915-16)	280	308	272

This picture does not correspond to the actual situation. The comparatively high peacetime profit of the metals industry concealed the real extent of the increased profits which that industry enjoyed. In point of fact, the additional profits (after profit taxation) that were earned by the metals industry were larger than those earned by the textiles industry, and much larger than the foods industry could show. While the owners of the metals industry were averaging 12.3 per cent profit in the three pre-war years, they received an 18.8 per cent return in the first war year and 34.6 per cent in the second, thus making an additional profit of 6.5 per cent and 22.3 per cent, respectively, on their investment. As against this, the textiles industry showed an increase of 4.9 per cent in 1914-15 (from 8.6 per cent to 13.5 per cent), and of 18.0 per cent in 1915-16 when the profit rate reached 26.6 per cent. The foods industry showed a still smaller increase in the profit rate, although its first war-year profit shows up well, increasing from 8.7 per cent to 17.5 per cent, or a difference of 8.8 per cent. In the second war year, however, its profit was only 23.7 per cent, signifying an additional wartime profit of 15 per cent. Here, it seems, the benefits brought about by the war varied in their beneficence in direct proportion to the degree of participation in war production.

[26] The comparatively high increase in foods profits in the first war year and the relatively small increase in the second were probably the result of the government price regulation instituted in the field in 1915.

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Statistical averages are more significant than a recital of individual cases, but unfortunately they do not tell the whole story. Averages summarize and condense, but by their very nature ignore unusual cases. To answer the question as to whether there were exceptionally high profits resulting from the war, such unusual cases must be taken into account. Particularly is this so when there are great variations from the mathematical mean, and in Russian industry during the first World War there were such variations.

In metals, for example, while the average rate of profits in 1915-16 was about 34 per cent, very few firms actually had profits approximately that rate. Eight firms with about 40 per cent of the capital of that section of the industry investigated showed profits of 50 per cent or more after taxes had been deducted. Another fourteen firms with 45 per cent of the total capital had profits of 20 per cent or less. Only about 15 per cent of the metals capital was invested in enterprises which returned profits of 20 per cent to 50 per cent.

Russian Tube-Rolling Mills, an enterprise capitalized at 7,500,000 rubles and producing guns and other munitions for the army, showed an 81 per cent profit in 1915-16 after profits taxes had been deducted. The Kol'chugina copper works in the second war year earned a profit, after profit taxation, of 6,800,000 rubles on a capital of 10,000,000 rubles.[27] Nor was the war profit restricted solely to large firms, although it must be noted that they apparently took advantage of the war to a greater extent than the smaller undertakings. Duks, a metals corporation with a capitalization of 800,000 rubles, earned a profit of 610,000 rubles in 1915-16 after profits taxes had been paid, thereby rewarding its investors with 76 per cent profit. On the other hand some metals companies found the going hard. I. V. Kleiner and Company, manufacturers of agricultural machinery, suffered a loss of 14 per cent in 1915-16, and

[27] This firm is mentioned by Leon Trotsky in his *History of the Russian Revolution* (New York, 1932), vol. 1, p. 24, but Trotsky apparently makes no allowance for taxation since he lists the profit as 12,000,000 rubles. While Trotsky does not mention the year in which this profit was supposed to have been earned, he probably refers to 1915-16, since in both 1914-15 and 1916-17 the firm's profit after profit taxation did not exceed 50 per cent. Actually, the profit referred to before taxation amounted to 13,200,000 rubles.

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"Pereund" of Moscow with a capital of only 166,666 rubles, a firm which had been earning a steady 8 per cent before the war, could not break even in the second year of the war and suffered a 1 per cent loss.

In textiles and foods the distribution of profits was more even. Here the general average is a fairly adequate barometer of the industry as a whole. Nevertheless, even here cases of extreme profits are to be found. The most extreme case of the textiles industry, and, it may be said, the most extreme discovered in the course of the investigation, is supplied by Praskovy Vitovoi and Sons. A cotton manufacturing company capitalized at 1,200,000 rubles, this enterprise had not even been able to meet its expenses in the three years before the war. In 1914-15, however, it made a profit of 180,000 rubles after taxes had been paid, and for the fiscal year 1915-16 its earnings reached the enormous sum of 2,747,445 rubles before deduction of profits taxes, or 225 per cent of the capital! After government taxation had taken its share, there still remained to the shareholders 1,600,000 rubles, representing a profit of 133 per cent. Other extreme textile cases in the second war year are those of the Danilov Worsted Spinning Co., a woolens firm with a post-taxation profit of more than 100 per cent, and the Rostov Linen Manufacturers with a net return of 80 per cent on capital. Moreover, it should be mentioned that of the sixty-six textile firms examined not one lost money in 1915-16.

Aside from spirituous liquor, which seems to have been a special case, the foods industry presents the same kind of picture although with less garish hues. Here the highest profits reported, after profits taxes had been paid, were made by Ivan Aristov and Peter Salov, a starch enterprise earning 76 per cent; by "Verkhniachka", receiving a 70 per cent return from its sugar manufacturing; and by the Karkov Sugar Refining Mill which profited to the extent of 66 per cent on its investment.

It appears quite clearly, therefore, that, aside from the general level of industry as a whole, there were individual cases which were influenced to an extraordinary degree by the war. By any criterion of ordinary capitalist investment, these cor-

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porations, in the second year of Russia's participation in the war, were earning exorbitant profits.

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Wartime Russia was the scene of many remarkable phenomena which have now come to be recognized as natural concomitants of modern war in countries having a more or less free capitalist economy. The rise of prices in Russia during the war was subsequently completely overshadowed by the awesome price spiral after the Revolution, but, even before February 1917, the general rise in prices had been marked. Consequently, the comparison between the pre-war and the wartime income of any section of the population must take account of the difference in the real value of the money which went to make up that income.

Here again the poor state of statistical information for the war period interposes a difficulty. Various government-issued indices differ, and it is questionable whether full reliance may be placed in any of them. Unfortunately, they are the best available, and if any picture of "real" profits is to be obtained they must be used.

In order to get index numbers for the years of the financial reports, it was essential to adapt the most widely accepted of these price indices, that issued by the All-Union Central Council of Trade Unions and Gosplan.[28] The result for the war years was as follows:

1913 = 100.0
1914-15 = 115.5
1915-16 = 156.0 [29]

[28] This index was first published in *Statisticheski Truda* (*Statistical Transactions*); it is quoted in M. P. Kokhn, *Russkie Indeksy Tsen* (*Russian Price Indices*) (Moscow, 1926), p. 160, and L. N. Yurovskii (ed.), *Nashe Denezhnoe Obrashchenie: Sbornik Materialov po Istorii Denezhnoe Obrashchenie v 1914–1918 gg.* (*Our Monetary Circulation: Collection of Materials for the History of Monetary Circulation in 1914-1918*) (Moscow, 1926), p. 248. The wholesale price index was:

1913	100	1916, Jan. 1	143
1914	101	1916, July 1	195
1915	130		

[29] The figure for 1914-15 was obtained by averaging the index numbers for 1914 and 1915; the 1915-16 figure was obtained by averaging the index num-

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To take account of this price rise and the correlative devaluation of the ruble, all figures for rubles, including profit (after profits taxes had been deducted) and new capital investment, had to be cast into terms of the 1913 ruble. In terms of this unit, the profits of the war period were, of course, much smaller than they had appeared to be.

PROFITS AFTER PROFIT TAXATION IN 1913 RUBLES

	METALS			TEXTILES			FOODS		
	Capital (in millions of 1913 rubles)	*Profit*	*Rate* in %	*Capital* (in millions of 1913 rubles)	*Profit*	*Rate* in %	*Capital* (in millions of 1913 rubles)	*Profit*	*Rate* in %
1914–15...	76.0	12.4	16.3	167.1	19.5	11.7	107.8	16.4	15.2
1915–16...	84.9	20.0	23.6	178.9	31.6	17.7	114.5	18.0	15.7

Even so, if we compare these figures with the average rate of profits for the three pre-war years—12.3 per cent in metals, 8.6 per cent in textiles and 8.7 per cent in foods—we find that there was still a large increase in profits resulting from the war. By converting the profit-rate figures into index numbers of "real profit", this increase is perhaps made a little clearer:

INDEX OF RATE OF REAL PROFITS

(Average of 1911-12, 1912-13, 1913-14 = 100)

	1914-15	*1915-16*
Metals	133	192
Textiles	136	204
Foods	177	180

Here again, while giving some idea of the magnitude of the increase in the real profit rate, such an index cannot accurately represent the effect of the war on one industry vis à vis another. As a result of the armament race of 1912-14, the pre-war profit rate of the metals industry was about 4 per cent

bers given for 1915, for Jan. 1, 1916 and July 1, 1916. This method is, of course, extremely rough. It assumes a fairly uniform price rise, which was only partly true, and it assumes the average figure for a year as identical with the figure for the mid-point of that year. However, it is questionable, in view of the doubtful quality of the statistics supplied, whether any more exact computation would have yielded a tool any better suited for the purpose for which it is used here.

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higher than that of either textiles or foods, and consequently the use of a pre-war profit rate as a basis of comparison minimizes the actual increase enjoyed by the metals industry once the war had started.

To the owners and operators of Russian industry, the additional profit rate as compared to pre-war conditions was far more indicative of the increase in their incomes. For measuring such an increase, "how much more" they earned was a far better criterion than "how many times more" they earned. Here it appears plain that, as the war dragged on, industry benefited in direct proportion to the extent that it participated in war production.

ADDITIONAL RATE OF "REAL" PROFIT AFTER PROFIT TAXATION

	Pre-war Average	*1914-15 Rate*	*1915-16 Rate*	*Additional Rate 1914-15*	*Additional Rate 1915-16*
Metals	12.3	16.3	23.6	4.0	11.3
Textiles	8.6	11.7	17.7	3.1	9.1
Foods	8.7	15.2	15.7	6.5	7.0

The rise in prices wiped out a large part of wartime profits, but real profits were still higher than in peacetime. While the "rate" of increase varied little from industry to industry in connection with participation in defense production, the "absolute" increase in return pocketed by the stockholder in defense enterprises was greater than that received by his confrere in concerns producing goods not essential to defense.

. . . . . .

The Russian case study is quite clear, at least in its major outlines. The war of 1914-17 produced in Russia a situation in which profits of industrial enterprises showed a phenomenal rise. These excess profits, derived from the consumers, proved valid ground for discontent among certain sections of the population. The greatest of these consumers, the Russian state, engaged at the time in a desperate struggle with powerful Imperial Germany, either could not or would not abolish these extraordinary profits but did take a large share for itself. The net result was that the owners of Russian industry gained

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financial strength from the conflict. In some cases, they received enormous profits, and, in general, their "real" return was substantially increased.

In any event their good fortune was short-lived, and, with the Revolution and the civil wars, the fortunes that had been piled up in the war years were dissolved. But for an ephemeral three years, "war" equaled "prosperity" for the Russian industrialist.

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EXILE AS AN INSTITUTION

I

WHEN Edward Everett Hale published his famous short story, "The Man Without a Country", in the *Atlantic* for December 1863, its great success was partly due to the fact that the penalty was so strange and exotic. Americans had forgotten the loyalists of the Revolution; while the modified form of exile known as transportation, which had an important place in the early history of Virginia and Australia, had disappeared from English law. Even in an emergency, such as the American Civil War, exile of individuals was unknown, except when enforced informally by outraged neighbors in the border states. Lincoln's suggestion that Clement Vallandigham, the "Copperhead" leader, should be sent to live with his friends in the South was regarded merely as a fairly grim form of humor.

In Latin America, however, the importance of exile is obvious even to the casual observer. The statue of any hero in the Prado or Avenida Central is almost always that of a man who was familar with the bitter bread of a stranger in a foreign land. Consider a few names at random. San Martin spent the last twenty-five years of his life in exile. José Manuel Rosas died in a villa near Southampton. José Artigas was for almost thirty years the unwelcome guest of Paraguay. O'Higgins of Chile died in poverty in Peru. The great Sarmiento carried educational ideas through exile to more than one country. Andres Bello was as much at home in Chile as in his native Venezuela. Simon Bolívar was on his way to exile when he died in Santa Marta. Not even writers have been exempt, as witness philosophers such as Alberdi. Ruben Darío, the poet, was safe in his own country only after his death.

It has been estimated that, at the close of the nineteenth century, the number of Latin American exiles in Paris alone

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reached into the hundreds. Similar colonies have existed at various times in New York, including such persons as Tomás Cipriano Mosquera of Colombia, Martí, the great Cuban prophet of independence, and many others. San Antonio, Texas, and later Los Angeles were familiar to exiled leaders who played a great rôle in Mexican affairs, and New Orleans has frequently given refuge to exiled presidents, generals, poets and cabinet ministers from Central America. Even today, of eight or ten prominent Bolivians or Paraguayans it is certain that the majority have been at least once in exile. When a practice has been thus followed over so wide an area for a period of more than a hundred years, it is safe to assume that we have a veritable institution, meeting imperfectly a real need, having definite legal sanctions, and leaving significant results. These phases of the unrecognized institution it is the purpose of this paper to examine.

II

The origins of the institution were, of course, of very respectable antiquity. Ostracism of political opponents was a familiar practice in Greek cities, especially Athens, where it is ascribed to Cleisthenes (508 B. C.). Its effect was to remove from Athens for a period of ten years any person who threatened the harmony and tranquillity of the body politic. When Cleisthenes introduced the practice his reputed motive was to remove his enemies without perpetual recourse to armed resistance. Under the Romans banishment outside the empire was practically impossible, but transportation called *relegatio in insulam* was a well-recognized judicial penalty especially for such political offenses as conspiracy and sedition. The person condemned had to spend the rest of his days on an island, his goods were confiscated, and, in contrast with the mild Greek institution, he was deprived of his rights as a citizen and was marked with perpetual infamy.[1]

These classical precedents, which had been largely forgotten during the Middle Ages, were rediscovered by the humanitar-

[1] Carpentier, A., and Du Saint, G. F., "Deportation et transportation politique", *Repertoire du droit francais* (Paris, 1897), vol. XVI, pp. 572 *et seq.*

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ian writers of the eighteenth century who were so greatly admired by the founders of the Latin American republics.[2] Several of these writers, including Montesquieu, advocated a return to banishment as a mild and reasonable substitute for cruel and barbarous penalties which were then in vogue.[3] But the eighteenth-century philosopher who had the greatest influence on Latin American penal codes was Cesare Beccaria, whose original treatise *On Crimes and Punishments,* first published in 1764, soon became widely known through a later French edition with a commentary ascribed to Voltaire. After a powerful argument against capital punishment, Beccaria discussed banishment and confiscation.[4] The latter he regarded as unreasonable and unjust, but, concerning banishment, he wrote: "He who disturbs public tranquillity, who refuses to obey the laws which men have established for their common defense, ought to be excluded from society, that is, banished." In Latin America Beccaria was frequently cited by writers who followed him in all three respects, for in early codes they abolished the death penalty, prohibited confiscation of goods, and listed banishment among approved penalties.

III

It would be a great mistake, however, to suppose that exile in Latin America owes its beginnings to any eighteenth-century philosopher. Like many other institutions, so far apart as the hacienda and the executive powers of a president, exile was already a Spanish legal custom which proved easy to transplant to the new soil of an independent Spanish America. As often happens in the history of law, theory was merely used to support and rationalize what time and events had already created.[5]

[2] Such leaders as Simon Bolívar, Antonio Nariño, Mariano Moreno, and even Doctor Francia, had libraries which included the leading French authors of the previous century.

[3] Montesquieu, *De l'esprit des lois,* Book XII, chaps. 4, 30.

[4] Beccaria, Cesare Bonesana, Marchese di, *Des délits et des peines: Traduction nouvelle . . . suivie du commentaire de Voltaire* (Paris, 1821).

[5] See Aguirre, J. L., *Codigo Penal* (Buenos Aires, 1887), p. 69, citing Pacheco, J. F., *Codigo Español* (Madrid, 1848), vol. I, p. 472.

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From a very early time Spanish codes had recognized *destierro,* which frequently implied banishment to another locality in the same province, *relegación,* by which the culprit was banished to a colony beyond the seas, and *extrañamiento,* which involved banishment from the national soil with prohibition of return. These terms were used rather loosely, and it is not always clear that *destierro* was milder than the other two. In any case they were frequently applied in Spain, either by judicial decree or by executive action, especially in cases of ecclesiastics who were deemed to have failed in due obedience to royal laws and decrees. The line between a judicial penalty for past offenses and administrative prevention of dangerous acts and opinions was often equally hazy. As late as 1933, however, *extrañamiento* and *destierro* were still recognized penalties in Spanish law.[6]

When the new empires of Spain and Portugal were established across the seas, every settler came by special permission, and, since every European in the new world was in the position of a guest, banishment and exile were as natural as they seem today for undesired alien immigrants.[7] In the colonies, as in Spain and Portugal, banishment could be imposed either as a judicial penalty or as an executive precaution. Sometimes a law safeguarded the rights of the accused, providing for a review of the evidence in Spain; but the general tendency, especially in times of danger, was to leave a great deal to executive discretion.

Laws dealing with both forms of banishment were issued as early as 1525, and frequently thereafter.[8] Banishment in these laws was sometimes to a given locality, frequently the

[6] See Martinez-Alcubilla, M. (ed.), *Codigos Antiguos de España* (Colección Completa, Madrid, 1885), especially the ancient *Leyes de Partida,* which provide *destierro perpetuo,* leyes 2 a 5, tit. 18, p. 4; and for modern legislation, Lopez-Rey, M. (ed.), *El Nuevo Codigo Penal* (Madrid, 1933), art. 27.

[7] *Recopilación de leyes de los reynos de las Indias mandadas imprimir y publicar por la magestad Catolica del rey Don Carlos II* (Madrid, 1774), book 9, secs. 26, 27, especially law 29, sec. 26; Moses, Bernard, "The Casa de Contratación de Sevilla", Am. Hist. Assoc., *Report for 1894,* pp. 93-123.

[8] The third edition of *Recopilación* was printed in Madrid in 1774, and the fifth edition in 1841.

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Philippines or the mother country. Sometimes it was imposed judicially by the *audiencia* or might be decreed by a viceroy or royal governor. The chief limitations were four: (a) the evidence might be reviewed by the council of the Indies; (b) executive banishment might not be imposed by any officer lower than a royal governor; (c) conversely, no governor could pardon or commute banishment imposed by a court; and (d) banishment outside of their home districts could not be imposed on the native Indians.[9]

In the laws of the Indies various forms of banishment, which are now sharply distinguished—for example, the deportation of aliens, the transportation of criminals and local banishment—were frequently covered by the single term *extrañamiento* which also applies to exile to a foreign country. Between the lines, however, it is quite clear that all these forms of banishment were in existence, and that exile was imposed both as an executive precaution and as a judicial penalty.

One law, for example, complains that persons banished for crime to the Philippines were often granted leave to return to New Spain or to Peru, a practice which was strictly prohibited.[10]

A law of 1588 authorizes viceroys and governors to seek out persons who are disturbing the peace and to expel them from the province together with their "sons, brothers, debtors, and retainers." But since the governor is ordered to do all this as quietly as possible and to keep such persons under surveillance, this rather wholesale and clandestine expulsion is presumably a form of local exile, of the type which later codes generally call *destierro,* rather than true banishment or *extrañamiento.*[11]

The most common form of exile, however, was neither judicial nor local, but involved the right of the viceroy or the governor to send back to Spain any persons whom he might

[9] *Recopilación* (5th ed.), especially law 18, book 7, sec. 8; law 19, book 7, sec. 8; law 61, book 3, sec. 3; law 8, book 2, sec. 10.

[10] *Ibid.*, law 21, book 7, sec. 8.

[11] *Ibid.*, law 7, book 3, sec. 4.

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deem to be undesirable, subject to a mere caution that he should grant due process of law—something obviously different from the same term in English and American jurisprudence. The fundamental law dates from 1568 and reads as follows: "If the viceroys have reason to believe that it is desirable for the service of God, our Lord and Master, to expel certain persons from those kingdoms and to send them back here, let them act forthwith, proceeding judicially and sending the record, so that we may judge whether they had adequate reason for their decision." From the number of times this law is restated in even more positive form, it appears to have been the basis of an institution through which the government of Spain hoped to preserve the purity of the faith and the peace of distant realms.[12]

IV

In the present state of our knowledge, no statistical estimate of exile in its various forms is available. It is, however, probable that since it was essentially a defensive mechanism on the part of an empire which was always vulnerable, the use of the practice varied according to the degree of danger. There are indications that it was employed in colonial days to get rid of offending ecclesiastical authorities who might be to some degree regarded as subjects of an alien power, even in the realms of His Catholic Majesty. If so, the wholesale expulsion of the Jesuits at the close of the eighteenth century, first, under Pombal, from the colonial dominions of Portugal and later from New Spain, may be regarded (except for the fact that the exiled priests could not go back to Spain or Portugal), not so much as something unique, but rather as an extreme example of a common practice. In any case, there was a sufficient flow of involuntary emigrants to require special laws to provide for their transportation and for the payment of necessary expenses, especially when time was pressing and the persons deported did not have the necessary means.[13]

[12] *Recopilación*, law 61, book 3, sec. 3.

[13] *Ibid.*, law 12, book 7, sec. 8.

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It is thus quite clear that when the Latin American republics became independent after 1810, they inherited a long established system which provided for exile, not only of priests and foreigners, but also of leading citizens. Exile might be either judicial or executive. The first was provided for in penal codes, and the second gave a special direction to phrases in constitutions which in the United States came to have a quite different significance. In some countries formal exile has been maintained and developed on both fronts. In a few it has been abandoned, even *de facto*. In the majority, however, with the increasing reluctance of other countries to receive criminals, it has become exclusively a political device enforced by the executive, at least in times of emergency, and it has retained vitality until our own day.

Even in advance of the formal provisions of law, which we shall soon examine, various circumstances in independent America strengthened the old Spanish institution. Among these circumstances favorable to exile the following deserve mention. The wars of independence, to an even greater degree than the American Revolution, were civil wars. When independence had been won, many on both sides had been killed. But the loyalists, as a class, had not been expelled. They remained in the country, to become the founders of one of the two great parties. Frequently the first issue to arise was over the control of the Church or at least of its property. The priest, owing allegiance to another and more powerful sovereign, was exiled for exactly the same reason that other countries today, to whose laws exile is strange, have resorted to what they call the deportation of aliens. Again, the early governments were weak. The defeated were not a true minority, which might be converted to a majority by peaceful means, but a group of dangerous outsiders waiting their chance.[14]

[14] In Mecham, J. Lloyd, *Church and State in Latin America* (Chapel Hill, 1934), there are numerous examples of the use of exile in the long struggle between church and state. As late as October 1932, even though Mexico no longer recognizes exile of citizens as a penalty, Archbishop Ruiz y Flores was deported as "an undesirable alien". A native of Mexico, he was declared a foreigner because he "owed allegiance to a foreign sovereign", the Pope. *Ibid.*, p. 500.

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Into early developments there also entered a real element of humanitarianism on the part of leaders, who realized that by a turn of the pendulum they themselves might soon become the defeated. On one occasion, for example, Germán Busch, then President of Bolivia, who had that day expelled two leading opponents, remarked to the writer with evident sincerity: "I was puzzled. If I had not thrown them out, I would have had to shoot them." Others may have been less frank, but they were often no less kindly.[15]

Finally, exile is an institution which belongs essentially to an aristocratic society. The exile of the *rôto* of Chile, of the common man anywhere, would have been unthinkable. But in Latin America, the leaders were few. They were men of property, of family, of education. Their offenses caused no moral indignation. Indeed, their offenses frequently lay in the imagined future rather than in the accomplished past. Decent penitentiaries did not exist; nor could society approve the chain gang or the ordinary jail for its potential and still respected leaders. Contrary to a common impression, few were shot, at least in cold blood. What else could one do with a leading personality like Tejado Sorzána of Bolivia, except send him to California? Thus, again and again, as in the case of Juan Mariá Flores of Ecuador, José A. Paez of Venezuela, and many others, the wheel of fate turned, and soon or late the exile was president, and the president was waiting his turn in a villa at Passy or in an apartment on Madison Avenue.

As the institution developed during the nineteenth century, political exile came to have various well-recognized forms. Sometimes, as in the fairly recent case of Carlos Calvo, the eminent Bolivian lawyer, the exile had a profession which he could practice in an alien land. Here was a case which might be denominated "pure exile", depending for its duration on the will of the executive. Again, a dangerous person was allowed to leave the country without direct compulsion. In this form, which may be called "voluntary exile", some were even

[15] For this factor in Brazil see Loewenstein, Karl, *Brazil under Vargas* (New York, 1942), p. 19.

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provided with suitable pensions, as was the case with Andrés Santa Cruz in the forties and with Rosas after his defeat in 1852. Very often, when family influence or personal eminence made it desirable, a man in exile was even made a diplomatic or consular representative of the country to which he could not safely return.

President Leguia of Peru developed "pensioned" and "diplomatic" exile, perhaps, more completely than any other political chieftain.[16] But numerous cases come to mind in which the man in exile rendered important services to a country from which he was virtually expelled: as witness Daniel Siles of Bolivia, who escaped the bullets of victorious enemies to become for many years their diplomatic representative as Minister and then Ambassador to neighboring Chile; the great Ecuadorian García Moreno, who carried on, while in exile, a mission to Rome and Paris; and almost in our own day the wealthy Simón Patiño, for so long Bolivian Minister to France. Over and above these eminent diplomatic exiles—including Gonsálvez of La Paz who was Minister of the Interior one day and Minister to the Vatican the next—there has, of course, always been a host of minor figures in posts so innocuous and safe as military attaché, *in exilium*, to London or to Washington, or again as vice consul, also in exile, to Singapore.

V

On what legal grounds, if any, does the practice rest? In cases of judicial banishment after trial, as we shall soon see, the basis is usually the penal code. Since banishment, however, is almost always reserved for such political crimes as sedition and conspiracy and, occasionally, for adultery—in other words, chiefly for offenses which do not in the judgment of the community involve moral turpitude—the difference between judicial and executive banishment is largely a matter of method rather than a real difference of kind.

[16] For this illustration, the writer is indebted to an eminent Peruvian publicist who prefers to remain anonymous.

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In preventive or administrative exile, the unique feature of the practice, especially at its height about the middle of the nineteenth century, was the power of a president to suggest or to require exile without formal charges judicially determined. Sometimes, especially in early constitutions, this power rested on a broad interpretation of the usual phrase which authorized the executive to maintain internal peace and tranquillity.[17] Such broad and general powers were later limited to a so-called period of emergency of which the necessity is determined either by the executive alone, or subject to review and approval by the national congress, when in session. In this circumstance, every Latin American president, with few exceptions, has the constitutional right to proclaim a "state of siege" and to suspend ordinary constitutional guarantees. In all countries originally, and in the majority today, he may then exile or expel, without judicial process, any citizen whom he considers undesirable.

The "state of siege" ordinarily involves the right to arrest and banish at the discretion of the executive. Sometimes, the constitution says that the president cannot exercise judicial powers, but this limitation does not apply to executive exile in a "state of siege".[18] As in Spanish days, there are occasional limitations, which tend merely to emphasize the extent of administrative authority when those limits are not specifically defined. Thus in the Argentine, where, as we shall soon see, judicial banishment for crime no longer exists, the person arrested for political offenses may choose "voluntary" exile; and in certain countries, notably Honduras, exile extends merely to another part of the national territory.

[17] A typical case is Paraguay, where banishment rested, under the Constitution of 1844, on the power of the president to "safeguard the internal and external security of the Republic". Art. 8, sec. 7. Very similar was article 79 of the original Constitution of 1829 in Uruguay on which exile rested until 1917.

[18] The only foreign writer who seems to have seriously considered exile as an institution is the eminent French publicist B. Mirkine-Guetzévitch. He regards exile as a mere aspect of the state of siege, without reference to other sources of this power, e. g., judicial codes, general executive powers, and the right to pardon. *Les constitutions des nations americaines* (Paris, 1932), pp. 94, 129.

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Finally, every American president has the right to pardon and almost all to commute penalties. Where one of the various forms of exile is listed in the judicial code, even though no longer applied to a particular offense, it is obvious that local or foreign exile may be substituted for a more serious penalty.[19]

VI

Technically, of course, the two forms of exile which have come down from Spanish law, judicial and executive banishment, are quite different. In practice, however, since both apply almost exclusively to the same political offenses—conspiracy, rebellion, sedition, treason—and since, as we have seen, even executive banishment may be a commutation of a judicial penalty, the connection between the two forms is now fairly close.

In a few countries, notably the Argentine and Chile, until quite recently local banishment was provided as a safeguard in cases of adultery, but even in this case which does not involve obvious moral turpitude in the view of the community, the penalty has become a dead letter, or has been abandoned. Today, the only provision for a non-political case is in articles 99 and 100 of the penal code of Peru, which require banishment from the Republic for plots against the Roman Catholic religion and for the public celebration of the rites of other religions. There appears to be, however, no recent case in which these penalties have actually been enforced.[20] Gradually, the institution of

[19] A typical example is that of Colombia which no longer recognizes banishment except as a commutation of another penalty. In *Codigo Penal* (Bogota, 1927), article 107 reads: "El Gobierno puede convertir en destierro de la Republica las penas de presidio o reclusion impuestas por atentatos contra el orden publico."

[20] The Argentine penal code of 1886 lists *destierro* in article 54, and defines the term as expulsion from the Republic in article 71. The curious provision as to adultery, with *destierro* in the case of the man, is in article 122. For the abolition of judicial exile in 1921, see Moreno, Rodolfo (hijo), *Codigo Penal* (Buenos Aires, 1922), vol. II, pp. 7-12. In the Chilean code *destierro* applies to the woman in the cases of adultery. See article 381 in *Codigo Penal de Chile* (2nd ed., Santiago, 1899) by P. J. Fernández. For exile for religious offenses in Peru see articles 99 and 100, Penal Code, various editions including *Codigo Penal Peruano* (Lima, 1933).

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exile has come to depend to an increasing degree on constitutional rather than on penal law.

In this respect, legal developments in various countries are, on the whole, surprisingly similar. In Peru, as was natural in the seat of one of the first vice royalties, there are a good many indications that the practice was quite common in colonial times. Thus, in the seventeenth century, the *audiencia* felt compelled to prohibit its individual members from commuting *destierro,* as they had apparently been in the habit of doing.[21] With independence, banishment became so frequent that the first constitutional congress of Peru gave attention on various occasions to the loss of potentially good citizens. For example, by a decree of September 20, 1822, it decided that any "Americans" who had been banished without judicial examination might return, while the same promise was extended to "Spaniards", but vaguely "after the war". Many persons, especially exiled bishops, do not seem to have been reassured, for, on a number of occasions, individual acts enabling them to return were passed.[22]

When the penal laws were codified in 1863, the political offense of rebellion was punishable by exile for a period not to exceed five years.[23]

On the constitutional side, article 68 of the Peruvian Constitution provides that "no one can be expelled from the Republic, nor separated from his place of residence, except by sentence duly pronounced or by the application of the laws regarding aliens"; in other words, by judicial methods. Nevertheless, the chief executive is authorized to suspend constitutional guar-

[21] *Ordenanzas del Peru, recogidas y coordenadas por El Lic. D. Thomas de Ballesteros, Lima, 1685* (Copy in Harvard Law Library), Orden 11, Lib. I, Tit. II.

[22] *Colección de leyes y decretos sancionados desde la jura de la independencia* (Lima, 1826), vol. II, p. 60.

[23] In Peru, banishment is termed *expatriación* (a word used nowhere else) and carries disability to vote or to hold office. Both *Codigo Penal Peruano*, p. 23, and Arias, J. V., *Codigo Penal del Peru de 1863* (Lima, 1896), pp. 260-271, compare the Peruvian code with others, especially the codes of Argentina, Chile and Spain. Calle, J. J., *Codigos Penal y de enjuiciamientos* (Lima, 1914), arts. 36, 99, 100, 110 and 131. The last article was modified in 1889.

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antees, for successive periods of thirty days at a time, whenever in his judgment "the safety of the state so requires". The only limitation on the president is the necessity for reporting the facts to Congress. In these somewhat indirect but effective ways the fundamental law of Peru clearly recognizes judicial banishment and establishes the power of the executive in the same regard.[24]

It was in the Argentine under the famous *caudillo* Juan Manuel Rosas that banishment, as a *de facto* institution, came to its most complete development. At the height of his power, his enemies in exile included most of the leading intellectuals, with the result that Montevideo across the bay from Buenos Aires became almost a secondary capital in the hands of the opposition. With that experience in the recent past, the advantages and disadvantages of banishment, in both forms, judicial and executive, were widely discussed with consideration of historical precedents and practical necessities on the one hand, supported by the great names of Voltaire, Montesquieu and Beccaria, over against practical difficulties and a strong modern tendency in the opposite direction. Although the authors of the Argentine Constitution of 1853 had themselves suffered banishment, and had made the arbitrary use of the penalty one of the chief counts in their indictment of the leader who was now in turn relegated to the security of his farm near Southampton, they did not feel strong enough to do without an institution which seemed even then essential to the safety of the state. Accordingly, the Constitution, which was in many respects both humane and enlightened, followed a familiar pattern by abolishing the death penalty for political crimes (article 18), but provided for a limited form of executive banishment (article 23). By this article, later copied in other countries, the president was authorized, in case of civil commotion, to suspend constitutional rights and to arrest and to remove malcontents from one point to another in the Republic "unless they

[24] *Constitución del Peru de 1933, modificada conforme a las ultimas leyes* (Lima, 1941), arts. 67, 68 and 70.

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prefer to depart from Argentine territory". Nowhere else has the penalty been described so frankly as an almost voluntary substitute for something more severe.[25]

In the development of the penal code various authorities, especially the celebrated penologist Dr. Carlos Tejedor, had long urged the abolition of banishment as a penalty. In the code of 1887, however, banishment from the Republic, called *destierro,* was retained and applied to the crime of sedition. The maximum penalty of six years might be increased to nine in case of unauthorized return. The chief argument in favor of the practice was the fact that political prisoners were, from the point of view of morality, in a different class from other offenders and hence should not be humiliated by ordinary penalties, imprisonment and the like, which are generally regarded as shameful.[26]

In the meantime, the opposition to executive banishment persisted. Even in the case of aliens, a law of 1902, which abandoned the former generous attitude to foreigners and adopted the now almost universal practice allowing expulsion without trial, was challenged, though without success, as an unconstitutional exercise of executive power.

On the judicial side, however, a new code, based on a project which had been under discussion since 1906, and finally adopted in 1921, definitely abolished judicial banishment as it had been known so long. From that time the only vestige of the ancient practice has been the right of the individual, under article 23 of the Constitution, to choose exile when arrested for a political offense.[27]

[25] For an historical and analytical survey see Iglesias, A. R., *La constitución Argentina* (Buenos Aires, 1939), pp. 150, 196. In Uruguay executive banishment was abandoned in 1917 but was reinstated in the Constitution of 1934 in the "voluntary" form, which provides, as to the state of emergency, in art. 158, sec. 18: "En cuanto a las personas, las medidas prontas de seguridad sólo autorizan a arrestarlas o trasladarlas de un punto a otro del territorio, *siempre que no optasen por salir de él.*" (Italics the writer's.)

[26] Borchard, E. M., *Guide to the Law and Literature of Argentina, Brazil and Chile* (Washington, 1918), p. 106; Aguirre, *Codigo Penal,* arts. 54, 71, 122.

[27] Moreno, *Codigo Penal,* vol. II, p. 12.

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The penal practices of Brazil had, of course, an origin quite different from that of the neighboring republics in South America. Since banishment, however, was as well established in Portugal as in Spain, the transition after independence was of a similar kind. In colonial days, the protecting hand of the mother country was less evident in the Portuguese colonial empire than it was in Peru or New Spain. Accordingly banishment from Portugal to Brazil was more common than in the reverse direction, so that the early colonial experience of Brazil followed the pattern which became familiar in the British colonies to the north, rather than that of the Spanish Indies.

With the establishment of the independent empire of Brazil, both the executive and judicial types of exile were copied in imperial laws, without ever becoming as important as they were to become in the republics of Spanish origin. The letter of the law, however, was more severe; for by the first penal code, adopted in 1830, persons exiled lost the rights of citizenship and were prohibited, under penalty of imprisonment for life, from any return to the national territory.[28] From the beginning, also, local banishment has been a common practice, and on account of the huge size of Brazil has often furnished all the safeguards which are ordinarily expected from banishment abroad.[29]

Under the Republic, the first penal code, adopted in 1890, still retained banishment in the list of penalties for such offenses as direct attacks on republican institutions. But the new Constitution of 1891 limited exile to another place within the limits of the Republic. Because this limitation applied specifically even to a "state of siege" it had the effect of abolishing exile

[28] *Codigo Penal* (*Rio de Janeiro*, 1830), art. 50. See also Borchard, *op. cit.*, p. 300.

[29] In Bolivia, another country with a huge territory, article 27 of the Constitution of 1881 provided for local banishment (called *alejamiento*) of political malcontents who were given the option of voluntary departure abroad. This article combines the leading features of the practice of executive banishment in Brazil and Argentina. The penal code of Bolivia also provides for *destierro* and *extrañamiento*, the latter applying to priests who attack the government. Castillo, C. M., *Codigo Penal* (La Paz, 1923), arts. 180 and 220.

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as a legal institution.[30] It would be premature, however, to declare exile, at least *de facto,* a thing of the past, for no less a person than the former Emperor Don Pedro II died in exile, and various other persons, notably former President Washington Luis, have found it necessary to leave Brazil.[31] Under the new Constitution of 1938, the executive is given sweeping powers to suspend all constitutional guarantees in cases of emergency, a provision which may at some future date imply the reëstablishment of the former imperial institution.[32]

In Chile, a country where the factor of distance and the structure of society made for conservatism, Spanish precedents were followed even in matters of detail. Thus the penal code of 1874 recognized various forms of expulsion, including *confinamiento* (penal transportation), *relegación* (local banishment), *destierro* (expulsion from the Republic), and *extrañamiento* (exile to a foreign country chosen by the culprit). The offenses covered vary from adultery (in the case of the woman taken in adultery) and the ringing of bells to arouse the populace against constituted authority, for which local exile is provided, to such grave political offenses as starting a civil war or restraining the legal president from the due exercise of his functions. Only in these more serious cases could the penalty be foreign exile for as much as twenty years.[33]

[30] Maximiliano, Carlos, *Commentarios à constitucão brazileira* (Rio de Janeiro, 1923), p. 694: "Sob a Republica, o banimento não é pena; ha o destierro occasional, medida politica, afastamento provisorio dos exaltados, remesa de conniventes da revolta, de um ponto do paiz para outro, durante o estado do sitio."

[31] *Codigo Penal* (Rio de Janeiro, 1891), arts. 43, 107; Constitution of 1891, arts. 48, 80. The penal code of 1932, the first revision since 1890, recognizes the new state of affairs and limits *expulsão* to foreigners. It is noteworthy that Brazil, which has abolished exile, has recently felt compelled to reëstablish capital punishment for political offenses (May 16, 1938). See Berilaqua, A., *Leis em vigor* (Rio de Janeiro, 1940), p. 36.

[32] Constitution of 1938 in Berilaqua, *op. cit.*, arts. 166, 171.

[33] Fernandez, *Codigo Penal* (2nd ed.), arts. 33, 34, 35, 36, 118, 121, 124 and 381; and Borchard, *op. cit.*, p. 412. A projected code under consideration since 1929 abandons exile as a judicial penalty.

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The two South American countries, however, in which exile, especially in its executive form for political offenses, has been most frankly recognized, are Venezuela and Ecuador. The fact that both these countries gained their independence by secession from the great Colombia of Bolívar without the complete approval of all sections of their own people was certainly one factor which led to this result; while, in the case of Ecuador, the sharp regional controversies between Quito and Guayaquil, and even more between clericals and anti-clericals, made banishment appear on various occasions an essential condition of national security and internal peace. These two cases, accordingly, illustrate the full development of exile as an institution under republican conditions.

In Venezuela, as early as August 26, 1830, the first constituent Congress approved a decree of General Paez which prohibited the return to the country of any Venezuelan "who might be unfavorable to the newly established independence of the country." Similarly, on September 11, after citing alleged plots of the eminent Venezuelan General Bolívar, then in Colombia, the Congress authorized the executive "to expel any person who might, on substantial grounds, be regarded as disaffected." By a formal law of October 14, the crimes of treason and conspiracy were defined, and expulsion from Venezuela for four years was established as the penalty for "seditious propaganda and for any refusal to obey the orders of the Government." Similarly, in the first Constitution (article 121), the president was forbidden to "expel any Venezuelan except in the cases of internal commotion or foreign invasion." [34]

Since a state of "internal commotion" continued for many years, the constitutional exception proved to be more important than the rule, and was strengthened by later laws and decrees. Thus, in 1849 under José Tadeo Monagas, the death penalty was abolished but expulsion from the country for terms varying from four years to life was reaffirmed for political conspiracies and similar offenses. Again, in 1860, banishment

[34] *Recopilación de leyes de Venezuela* (Caracas, 1874), vol. I, pp. 11, 34, 36, 102.

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(*extrañamiento*) was applied to treason, rebellion and sedition. By 1865, the lawmakers were apparently troubled by the indefinite time limits of banishment, and under Guzmán Blanco, the "Illustrious American" who was himself to spend many years in exile, the period of banishment for rebellion was to terminate whenever the president announced that public order was reëstablished. This pattern was followed in the penal codes, beginning in 1873, which still list banishment among so-called "corporal" penalties.[35]

Similarly, as to executive exile, the most recent Constitution of Venezuela (1936) provides that, in such cases of emergency as civil or foreign wars, epidemics and the like, the president may expel citizens or aliens "who may be opposed to the reëstablishment or preservation of peace." As to citizens, exile ends when the circumstances on which it was based have ceased to exist. For aliens, expulsion may continue at the will of the chief executive.[36]

In Ecuador, the chief emphasis has always been on the executive rather than the judicial form of banishment. Thus, the penal code does not recognize exile as a penalty. On the other hand, article 86 of the Constitution of 1929 deals in great detail with the emergency powers of the president. These must be derived from Congress, or, when Congress is not in session, from the Council of State, a special committee which includes such leading officials as the chief justice and the dean of the law school.

During an emergency, the president may arrest suspected persons and transport them to another locality in the Republic. Mountain dwellers, however, may not be sent to the lowlands nor dwellers on the coast to the mountains without their own consent. If the person arrested prefers to leave the country, he has the constitutional right to demand his passports and to be given a period of eight days to arrange his personal affairs. The exile may also choose the route to be followed. Similarly,

[35] *Recopilación*, vol. II, p. 444; vol. III, p. 681; vol. IV, p. 386; vol. VI, p. 455; and *Codigo Penal* (Caracas, 1928), arts. 9, 21, 157.

[36] Constitución de 1936 (Caracas, 1936), art. 36.

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when the period of emergency is over, the exile has the constitutional right to return without any necessity for special permission.[37]

In the countries of the Caribbean area from Mexico to Panama, including Central America and the three island republics, the custom of banishment has perhaps been more persistent and important than in any other section. To a larger extent than in South America, however, exile has frequently carried banished leaders merely across the border to a near-by country and only occasionally across the sea. A leading authority on Central America believes that the frequent contacts thus imposed on political leaders have been an important factor in developing a true consciousness of kind which tends to strengthen possible political bonds.[38] Even more important has been the almost regular residence, in the United States, of exiled Mexican leaders, including such recent figures as Francisco Madero and Plutarco Calles.

The very ease with which the exile could find a ready refuge near at hand has probably made the practice even more common than it would otherwise have been. On the other hand, the disadvantages of exile have been emphasized by the presence of numerous malcontents in regions from which they could so readily return. The influence of Anglo-Saxon ideas of law has also been a factor leading to criticism. Accordingly, in this whole region, while banishment has continued *de facto,* it has been less often defended on theoretical grounds and is less frankly defined in either judicial codes or constitutional provisions.

All this is especially evident in the case of Mexico, whose proximity to the United States has always created a special and historically significant situation in this respect. Thus, in 1871, the Commission, appointed by Benito Juarez to make the first complete penal code, considered the inclusion of exile in the list of penalties. It was recognized that exile had been all too

[37] Constitución de 1929 (Quito, 1929), art. 86.

[38] Munro, D. G., *The Five Republics of Central America* (New York and London, 1918), p. 165.

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common. In the judgment of the members, it had grave disadvantages. The exiled persons were almost always political leaders of importance, who might plot in safety across the border. The penalty was ineffective as a deterrent because its effects were seldom observed by others who might need warning. Above all, it was inequitable, since it was borne easily by the rich or the unmarried, while to others it might be more severe than imprisonment or even death.

Nevertheless, in spite of arguments which are curiously similar to those used by Aristotle, the Commission did not feel that the banishment of political malcontents could be safely abandoned. The executive was, accordingly, authorized to commute other penalties and to substitute banishment in the case of leaders who "in the judgment of the Government create danger to public tranquillity."[39]

On the constitutional side, however, while the various constitutions, notably those of 1857 and 1917, provide for the executive expulsion of aliens, there are no clear arrangements for preventive banishment of citizens by the executive; and in the revised judicial code of 1929, banishment was omitted from the list of penalties. Thus, since that date, and to a large extent before, the right to banish has rested for the most part on broad executive powers rather than on a specific article of either the Constitution or the judicial code.[40]

In the smaller republics to the south and east of Mexico, similar tendencies have been at work. There is still an occasional reference to banishment in judicial codes, but these seem for the most part mere vestiges of older practices. With each revision of a code or the adoption of a new constitution, in keeping with similar illiberal tendencies all over the world, the dis-

[39] Article 142. This provision illustrates the fact that the line between judicial and executive banishment may become very shadowy. In the code of 1871, banishment is covered by articles 142, 940 and 946. For the discussion of theory, see Medina y Ormachea, Antonio A., de, *Codigo Penal Mexicano* (Mexico City, 1880), vol. I, p. 114 n.

[40] It should be noted, however, that since 1923 priests have sometimes been banished on the legal fiction that they are "foreigners". For instances, see Mecham, *op. cit.*, pp. 475, 482, 483, 500. For recent definitions of *extrañamiento* and *relegación* see *Codigo Penal* (Mexico City, 1929), art. 79.

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tinction between aliens and citizens is made increasingly sharp, and the executive is given the unqualified right to expel aliens. As to citizens, however, even the broad powers of the executive during a state of emergency are limited and circumscribed. Thus, it would seem that, in all this region, exile as an institution, legally recognized and defined, no longer has the vitality which it once possessed.[41]

VII

Among the minor by-products of the practice of banishment, as it has existed in Latin America for more than four hundred years, is the tendency on the part of most of these countries to recognize the so-called "right of asylum". In practice this means the right of the defeated to find refuge in a friendly legation and to receive safe conduct, at the request of the minister or ambassador, to the port of departure. The practice has been frequently criticized as tending to promote revolutions with foreign connivance and is, accordingly, not countenanced by the United States; but from the point of view of many countries, notably Chile, it furnishes an additional safeguard to persons who have been marked for exile by the government in power.[42]

[41] In Haiti, for example, a recent penal code still includes banishment, but does not apply it to specific offenses. In Honduras *destierro* applies merely to expulsion from a given municipality. Both countries, however, still provide for the so-called *estado de sitio* which may involve banishment. See Ley de Estado de Sitio (Honduras, April 3, 1936). As to aliens, as distinguished from citizens, see Irizarry y Puente, J., "Exclusion and Expulsion of Aliens in Latin America", *Am. Journal of Int. Law*, vol. 36, No. 2, pp. 252-270.

[42] For the relation between asylum and exile see Moore, J. B., *A Digest of International Law* (Washington, 1906), vol. II, pp. 816, 817, 838, 839, 844. Quite recently, in 1938, Chile had a controversy with Spain as to asylum in its Embassy in Madrid. In Bolivia refugees in a legation are called *huespedes de hierro* (guests of iron), a term applied to them on account of their tendency to remain in residence longer than desired.

The subject of asylum was carefully considered at the Havana Conference of 1928 and at the Montevideo Conference of 1933. The resulting conventions of February 20, 1928 and December 26, 1933 were signed by all the delegates except those of the United States and have been ratified by eight states. For the texts of these conventions see Scott, J. B. (ed.), *Conferencias internationales americanas, 1889-1936* (Washington, 1938), pp. 386 and 462.

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Far more significant, however, have been the consequences of the practice on the cultural side. The new states, which gained their independence from Spain and Portugal about 1820, had of course been isolated not only from the outside world, but to a large degree from one another. Although independence brought new commercial contacts, especially with England, in many cases the old cultural bonds with Spain and Portugal were suddenly cut, and new contacts were by no means easy to establish. To some degree the practice of exile and banishment served to fill the gap, and acted with other similar factors as a powerful, though unplanned, means of international education.

No one who has lived in even a remote capital such as La Paz, or in a provincial town like Arequipa, Cordoba or Popayán, can fail to be impressed by the wide cosmopolitan interests and contacts of many leading citizens. This is true not only of politicians in the narrow sense of the word, but of poets, musicians and essayists. Accordingly, although not for this reason alone, the republics of Latin America were able to consider such a plan as that of a League of Nations from the point of view of very real international experience. Similarly, important books, by such writers as García Calderon, Alcides Argüedas, José Enrique Rodó, and many others, bear the marks of wide acquaintance in other countries. Even the appearance and the architecture of such cities as Caracas have been marked, for better or for worse, by foreign and non-Spanish influence brought in by former exiles. Sometimes the specific result can be cited, as, for example, the educational system of the Argentine or the civil code of Chile, and many others which merely await careful study and examination.

Naturally, an institution of this kind is always subject to the gravest abuse and may degenerate into the most dangerous form of tyranny. Even here, however, the consequences have often been quite different from those which had been expected. Thus, Haya de la Torre, the founder of the Peruvian party called *Apra* (*Alianza Popular Revolucionaria Americana*), spent eight years in exile, during which he visited Panama, Cuba, Mexico, Russia, England, France, Belgium, the United

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States and Germany. In all these countries he came into contact with various types of reformers representing a wide range of political ideas. He lived for the most part by his pen; and while the fundamental reforms which he had in view had already been formulated, at least vaguely as early as 1920, there can be no doubt that on the side of both philosophy and method Haya de la Torre had learned a great deal before he returned to Peru in 1931. His residence in Mexico, especially, where he was secretary to José de Vasconcelos, led to a new emphasis on the significance of *Indianismo* and on the essential importance of agrarian reform.

Similarly, in recent years leading Apristos in exile, for example, the novelist Cerro Alegria, have carried what were regarded as dangerous ideas to neighboring countries, especially to Argentina, Bolivia and Chile. As an international movement *Aprismo,* which has complained so bitterly of the unjust treatment of its leaders, certainly owes much of its present-day significance to their enforced residence abroad.

As the years have passed, exile has been subject to increasing criticism. The unwillingness of other countries to receive convicted criminals has long since made judicial exile a dead letter, of which the importance is now chiefly historical. With better communications and increased resources, including adequate penitentiaries, the necessities on which it once rested have become less pressing.

Similarly, as to political exile, the classical arguments, which go back at least to Aristotle, that, under ostracism, the country may lose its best citizens who are encouraged to plot revolution in exile, though frequently repeated by modern critics, will probably be less effective in the gradual abolition of the practice than other and much more immediate practical considerations. Thus, a modern government, with ready communications and adequate armaments, as witness the long reign of the conservatives in the Argentine and the sway of Getulio Vargas in Brazil, may soon feel strong enough to deal with opponents in other ways. Furthermore, the new industrial revolution is likely to create increasing outlets for excess political enthusi-

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asm. In the old days, as still in some countries, in case of defeat, what could a leader do except to plot a new revolution? In the days of Rosas, for example, he could only enter the overcrowded fields of law or journalism, or perhaps return to the ancestral ranches. Now factories, financed in some cases with native capital, and a carefully organized government civil service make possible other interests and new and fruitful activities. So with the passing of the years, even an institution with deep historical roots and persistent practical significance seems likely to disappear, not because people were wrong yesterday, but because today is another day.

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REVIEWS

The American Spirit. By CHARLES A. BEARD and MARY R. BEARD. New York, The Macmillan Company, 1942.—ix, 696 pp. $5.00.

The concluding volume of the distinguished series that began with *The Rise of American Civilization* deals with a single idea, namely, that of civilization. It is a new idea in western thought. "Whenever or wherever the word civilization may have first come into use," say the Beards, "it certainly found its way into print in England and France between the middle and the close of the eighteenth century." The authors, however, are at pains to point out immediately that, though the word began to come "into wide circulation in France while the Enlightenment was in full flower," it is not true, as "has often been assumed, that it was identical with the world-view of the Enlightenment." The idea of civilization, as an expression of a world-view, is, rather, a formulation of the early nineteenth century, and, if one individual is more responsible than another, that man is Condorcet. But Guizot also aided, as did Fourier and Buckle. Before the middle of the nineteenth century, "civilization", as a world-view, had replaced, in the opinion of the Beards, the Enlightenment, as a world-view. This history of the emergence of the idea of civilization is the most important contribution of the volume.

The larger part of the work deals with the course of this idea through the decades that comprise the national history of the United States. The Beards consider, among others, the philosophies of Tocqueville and of Bancroft, and then, noting that by the 1840's the idea of civilization was "gathering momentum", they lay particular emphasis upon Emerson's analysis of the concept. Thereafter, one after another, American thinkers are brought before the reader to add their comments, brief or extended, to the symposium. This is a work of prodigious scholarship and is filled with valuable matter.

Charles A. Beard's well-known ideas on the nature and purpose of written history require that this book be treated as a document

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of the mid-twentieth century intended to make a contribution to the thinking of the present chaotic age. What is the message? It is as follows, if the reviewer's interpretation is correct. A world-view is a dynamic force of vast importance. "It serves as a cohesive agency uniting people in a common consciousness of rights and wrongs, good and evil." The three most recent world-views prior to that of Nazism are, in order, Christianity, the Enlightenment, and the "idea of civilization". Within this idea of civilization is a complex of ideas—a primary problem, persisting through the years, has been to bring these to focus. The purpose of this book is to help our generation to achieve a focus. The most important in this complex are the ideas of progress and of social cohesion. Charles A. Beard was the publicist who first gave the old American phrase "rugged individualism" a cynical connotation. In the present volume in a chapter dealing principally with William Graham Sumner and Henry and Brooks Adams, the Beards, still carrying on the old campaign, associate "individualism and pessimism". The fruit of individualism is pessimism, and pessimism is a denial of progress. The authors fail to mention the exuberant and optimistic individualism of Emerson; the name, Thoreau, is not listed in the index.

Excessive individualism, however, the Beards point out, has given way in the middle of the twentieth century to a better understanding in the political area of the importance of social cohesion, a change which represents progress in the apprehension of the true meaning of the idea of civilization. To support further their conviction that civilization has undergone evolution and that the idea of progress is of basic importance the authors depend heavily upon the evolutionary anthropology of that great pioneer, Lewis Henry Morgan. They do not mention, however, the fact that Morgan's grandiose theories have only historic importance for the anthropologists of the middle of the twentieth century. The Beards make only the briefest mention of the anthropological concept of culture, an omission of the most serious character in a work dealing almost exclusively with the idea of civilization. The anthropologists are at the forefront of the study in our time of the nature and characteristics of civilization. The Beards ignore completely those functionalist theories concerning the origin and nature of culture so important in present-day anthropological thinking. Yet in a curious and somewhat blurred sense the authors take the functionalist position that emphasizes the uniqueness of specific cultures. Their title is *The American Spirit;* their emphasis is on the uniqueness of American civilization. They in-

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clude a chapter entitled "Foreign Criticisms"; and these turn out to be principally Marxism and what the Beards call "general internationalism". The latter phrase, like "individualism", calls up memories of Charles A. Beard's earlier work. The authors affirm: "Criticism of American civilization from European points of view was made the more feasible and destructive by reason of the fact that the American population embraced millions of foreign-born residents and citizens representing in their ancestry all European nationalities."

The present reviewer is not convinced that the most useful way to deal with ideas is to attempt to force many ideas into a single concept. Ideas tend to fall into clusters. The patterns of these are useful for a better understanding of individual ideas. When separate ideas are fused into a gigantic single concept, this becomes so vague as to have a minimum of utility. The Beards themselves, in their second chapter (which deals almost wholly with the second quarter of the twentieth century) in demonstrating that the word, civilization, is very much on the lips of men of our day, describe a confusion as to the meaning and content of that term so great as to raise the most serious questions as to the validity of their thesis that it is a dynamic world-view. To assist in the clarification of this confusion the authors present, in the concluding pages of the volume, their own definition of the idea of civilization. It is eloquent, profound and inspiring; but it is a personal credo. The reviewer commends it to the consideration of all thoughtful Americans.

RALPH H. GABRIEL

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Capitalism, Socialism, and Democracy. By JOSEPH A. SCHUMPETER. New York and London, Harper & Bros., 1942.—x, 381 pp. $3.50.

This book is notable in more than one respect. The author, a leading theorist in the field of pure economics, here cuts loose and gathers into the sweep of his analysis psychological, cultural, historical and political considerations which the pure economist is conventionally supposed to shun or to be incapable of handling. The result is a book as meaty and deep-probing as it is broad in its survey of the cultural forces which determine the evolution of institutions, particularly of economic systems. It could hardly have been written by an American-born and American-educated scholar. There

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is, throughout, a Continental background, both of historical example and—more significantly—of implicit attitudes and values. There is also, on the surface at least, a certain cold-bloodedness (technically known as "objectivity") rare in a book in this controversial field. It may be said forthwith that if there is any such thing as sympathy in the framework of the author's personality, not an iota of it glimmers through the opaque hardness of his intellectualism. But he has the courage of his convictions. What other American economist would dare, for example, to defend railway rebates and the other devices of monopoly? Essentially, Professor Schumpeter is a capitalistic Jeremiah. Unlike Marx, he likes capitalism; he believes it good; if it is not the most efficient and productive of all possible systems, at least it is the best that has yet been devised. Yet he declares flatly that capitalism cannot survive. Conversely, he declares with equal emphasis that socialism can work, though here with the proviso that it not be introduced until capitalism has fully done its work, become automatic and routine, as to the managerial function, and virtually reached what the theorists call the static state.

Professor Schumpeter's defense of capitalism is the familiar one of its phenomenal productivity and its daring progressiveness. Perhaps he claims a little too much for it, for he attributes to capitalism practically all the scientific and cultural progress of the past two centuries. If, as he does, we take the "long-run"—the very long-run—view exclusively, and if we shut our eyes to the "incidental" wastes and human costs and miseries chargeable to capitalism, this defense is impregnable. Dynamic capitalism has vastly raised the standard of living; and that's that. Professor Schumpeter began his thinking on the subject forty years ago. That was the period when in German-speaking countries social Darwinism—conflict and selection as between social groups and classes—was the central idea of Continental sociology. It remains as a vestigial, but determining, influence in Professor Schumpeter's current thought. Capitalism is "creative destruction", invention, rationalism, premature obsolescence of machines (and, we may add, of workers), no-quarter competition leading to the efficiency of large-scale production, and ruthless elimination of the unfit. But Professor Schumpeter, avowedly refraining from value-judgments, does not raise the question whether this type of selection makes for an admirable or desirable human type.

Capitalism is doomed, not because it has not done a good economic job and could not do even better if given forty years more (free of New Deal foolishness)—for it could in that time double the per

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capita income, to $1,300 a year, and completely abolish poverty—but because of shortsighted restrictions and irresponsible sniping. It has made the egregious mistake of allowing free speech and universal education, especially higher education, which has produced an oversupply of white-collar workers. It has fostered and subsidized the intellectuals, who have pushed themselves into organized labor and provided it with slogans—and so on. One begins to wonder whether the whole book is not a deep satire.

There is no determinate relation either between capitalism and democracy or between socialism and democracy. The only sure thing is that the people are irrational and shortsighted. The political scientist should read the chapter on "The Classical Theory of Democracy", in which the straw man of eighteenth-century rationalism is knocked over, and then the next chapter, in which the author states what he regards as the only workable theory of political democracy—the people may vote for leaders, and democracy consists in competition for votes, not much more. In this sense, socialism can be democratic, but it will not be the dictatorship of the proletariat. Marx has come into his own; there will be no proletariat; industry will be managed by experts just as it is now; it will assuredly work if the present capitalistic managers are put in charge of the socialistic plant.

On the whole, this is a "must" book.

A. B. WOLFE

OHIO STATE UNIVERSITY

German Strategy of World Conquest. By DERWENT WHITTLESEY, CHARLES C. COLBY and RICHARD HARTSHORNE. New York and Toronto, Farrar & Rinehart, Inc., 1942.—xiii, 293 pp. $2.50.

The World of General Haushofer. By ANDREAS DORPALEN. With an Introduction by Colonel Herman Beukema. New York and Toronto, Farrar & Rinehart, Inc., 1942.—xxi, 337 pp. $3.50.

The geopolitical pot is still stewing briskly—too briskly, indeed, as only German recipes are being used for the new concoction. Since the "superscience" of German geopolitics invaded the American scene with its often more excited than exciting tales of General Haushofer, "the man behind Hitler", a chain of "geopolitical" books and articles has been rolling off the press. Geopolitics has become fashionable. The student of international politics would look in

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vain for a discussion of the ideas of Ratzel, Mackinder and Haushofer in dozens of works published in recent decades. Today, he finds it difficult to keep track of the rising tide of literature based on the writings of these geopolitical pathfinders. Most of its authors look with fascination at the German product of an applied political geography, at what we might call "Haushoferism". It is this fascination that accounts for the regrettable fact that the application of certain basic lessons of our air-age geography to *American* world politics and strategy has been so utterly neglected in the past. In terms of a new American political geography, our global view is still cloudy. And the limitation of so many studies in the field of political geography to the exploring and exploding of Haushoferism is proof of another, this time political, "escape" literature, resulting from our inability to see the world through other than foreign glasses.

Such general criticism, however, is not meant to deny the usefulness of recent studies on Haushofer, his strategy and his world. Through Haushofer's looking glass we can see the contours of a new politico-geographical scheme. The understanding of Haushoferism and its dynamics of spatial world domination means the understanding of the enemy. By using cautiously certain tools developed by the "geopolitikers" in Munich and even more by avoiding other tools made in Germany, we can lay the groundwork of our own new house.

Three professors of geography, under Derwent Whittlesey's leadership, have undertaken to analyze German geopolitics in its far-reaching ramifications and to evaluate it in the light of democratic ideas. The result is a book which must be considered an ideal introduction to the truly global scheme of German geopolitics. The authors have covered an immense field and have included in their studies all of the basic writings which the German geopolitical school has produced in recent years. The German output was indeed mass production: the standard bibliography on political geography prepared in Germany in 1934 lists more than 3,000 titles. It seems to this reviewer that Whittlesey's most valuable contribution lies less in the exploration of the ideological roots of German power politics than in the often masterful analysis of the politico-geographical aspects of the German strategy of world conquest. The chapters on propaganda as a geopolitical weapon, the reproductions of the "dynamic" maps of the "geopolitikers", the observations on Germany's mastery of central Europe and the design for conquest based upon this mastery, all these make essential reading for the student of political geography who is

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not satisfied with exploring merely the German "master" plan, but who also wants to draw conclusions for a new political geography in this country. He will find in Whittlesey's book all the problems. He will not find many answers to his anxious questions. The authors have willfully avoided this difficult task. It would have been thought-provoking, had Whittlesey decided to include a discussion of his own proposals of an Utopian reorganization of Europe. His Pan-Europe would consist of one super-state with four subdivisions: Atlantica, Mediterranea, Nordland and Grassland (Russia and much of its adjacent territory).

Dorpalen's book contains much of the material in Whittlesey's work. He, however, has not escaped the temptation to act as the old sorcerer's (Haushofer's) apprentice. The results are numerous armchair-strategical statements, such as the one in which the author explains Hitler's reluctance to invade Switzerland by his desire to preserve Switzerland as a haven of refuge for the day when he would have to flee from the Reich. Journalistic speculations of this sort are apt to discredit serious studies on the subject of political geography.

About two thirds of Dorpalen's book consists of meticulous translations of typical writings of the German school; but even in these translations the mannerism and the pompousness of Haushofer's style remain alive and leave the reader bewildered and often angered. In spite of Dorpalen's laudible efforts, I doubt whether this is the proper approach to the study of German geopolitics. Valuable is the inclusion of the classical address which Mackinder gave in 1904 before the Royal Geographical Society in London (17 pp.).

Colonel Herman Beukema has written a brief and lucid introduction to Dorpalen's book. His comments, together with Edmund A. Walsh's "Essay on Geopolitics", represent the best condensed appraisal of Haushoferism in the English language.

HANS W. WEIGERT

TRINITY COLLEGE
HARTFORD, CONN.

Generals and Geographers: The Twilight of Geopolitics. By HANS W. WEIGERT. New York, London, Toronto, Oxford University Press, 1942.—xi, 273 pp. $3.00.

Dr. Weigert's thesis can be read in his title. Geopolitics is not a science or a philosophy. It is a call to arms for expansionist conquest, a militarist's creed—a German militarist's creed. There is no geopolitics as a system of ideas apart from political associations;

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there is German geopolitics, Russian geopolitics, Japanese geopolitics, etc. Every nation, he remarks, has the geopolitics it deserves. He sums himself up when he says (p. 213) that so far from being a super science, German geopolitics is "the application of geographical principles, neglected in the past by friend and enemy, in the game of power lusts." Thus Dr. Weigert distinguishes geopolitics from the genuine science of political geography, though, when he comes to putting the distinction more precisely, he is not much clearer than the advocates of geopolitics themselves. What is there about the new cult of geography that makes for murkiness of expression? Geography conceived, or at least taught and written of, as "principal products" and "the capitals of" and "bound Ruritania" may be banal, but at least it can be grasped. It states something. Geography trying to systematize itself in general ideas is a thick but dissolving cloud of phrases. Why?

Since Dr. Weigert's thesis is as it is, he confines himself mainly to men, especially Germans—Haushofer, of course. There is a chapter on origins—Ratzel, Mackinder, Kjellén, of course. There is one on Spengler's ideas, another on Mackinder's concept of the "heartland", another on Haushofer's concept of the heartland. The rest is mainly Haushofer—Haushofer's conception of the Pacific, Haushofer's conception of America, Haushofer's relation to the Nazi party and the army. And as in nearly everything else that has tried to communicate the content of Haushofer and his philosophy it comes to very little more than the familiar German intellectual flatulence. There are some shrewd deductions about the Far East, but no shrewder than those by many other students of the Far East who just stated ideas as such (since they are not particularly recondite) and did not resort to brummagem philosophizings.

Dr. Weigert is properly scornful of the journalistic melodramatizing of Haushofer and geopolitics that suddenly became fashionable here two or three years ago. Yet it may be asked whether he, too, is not exaggerating both Haushofer and his school, whether he is not attributing to it too large a rôle even in German power politics. Haushofer was, it is true, in Japan for two years—before the first World War, incidentally—and he was absorbedly interested in the Far East and wrote copiously about it. But one wonders where Dr. Weigert gets the evidence that Haushofer exercised so great an influence in Japan—"far-reaching", as he calls it. This reviewer doubts whether such words as "*grossraumwirtschaft* became familiar catchwords to the cliques that counted in Japanese politics." If they did,

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those cliques managed to keep it secret from persons who had some familiarity with both the considered statements and the informal outpourings of those cliques. The concept of a Greater East Asia Coprosperity Sphere did not stem from *Grossraumwirtschaft*. If Haushofer had been a waiter in a Munich *Bierstube*, the Japanese would have done just what they did. In their ideas of expansionism and fancy locutions to express those ideas the Japanese need no tutoring from Germans.

Similarly, it is melodramatic to portray German politics and thought between 1933 and 1939 as a struggle between Hitler and Haushofer, "an incessant struggle . . . desperate and decisive over the fate of millions of human beings . . . this secret struggle over the grand strategy of Germany in the East that preceded and prepared the actual events that are now history." Thus, it was Haushofer's triumph when Hitler made the treaty with Russia, Haushofer's defeat when Hitler attacked Russia. What evidence is there that Haushofer had much influence one way or the other in the inner councils of Hitler and the Nazi leaders? Why is it not equally plausible that Hitler would have made the Russian treaty if Haushofer had never lived, and broken it if Haushofer had never lived. In short, Dr. Weigert, too, has become somewhat hypnotized by his subject, even if his perspective is generally true. And finally—the more one reads about geopolitics, the more one wonders why one does. Indeed, one may predict that ten years hence it will stand as one of the curiosa of a fevered war period.

NATHANIEL PEFFER

Soviet Russia's Foreign Policy, 1939-1942. By DAVID J. DALLIN. Translated by Leon Dennen. New Haven, Yale University Press, 1942.—xx, 452 pp. $3.75.

Dr. Dallin, an exile from imperial Russia in 1911-1917 and later a member of the opposition in the Moscow Soviet until 1921, has written extensively in the European press on political and economic questions. His volume is a notably successful attempt to present a comprehensive picture of the objectives and methods of Moscow's foreign policy. The difficulties and pitfalls of such an enterprise are many and obvious. Official documents bearing on certain crucial aspects of Soviet foreign relations are not available; Dr. Dallin's study, therefore, is based "partly upon indirect and unofficial infor-

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mation" and has no claim to finality. In view of the nature of his sources some of his generalizations strike the reviewer as unduly definite and clear-cut. Nevertheless, he deserves full credit for marshaling a mass of authentic evidence as well as many plausible theories, and for weaving them into a story which throws considerable light on Russia's part in World War II and which should be helpful in charting the future course of the United Nations.

According to Dr. Dallin, Moscow's failure to adhere in time to a European military coalition that might have deterred Hitler was not the fault of Chamberlain, Bonnet, or Stalin. The tragedy was due "less to persons than to a kind of historical inevitability." In 1938-1939 no European Power really desired a full-fledged alliance with the U.S.S.R. Moreover, "it was Soviet Russia's policy to stand alone", writes Dr. Dallin. "Distrustful of all other governments, obsessed by the idea of her world-wide mission, she sought to maintain the position of a 'third power,' outside and apart from the two continental coalitions. Isolation remained the underlying principle of her foreign policy even after the outbreak of the war. . . . This policy of isolation was not a caprice, a whim on the part of individuals, but a living organic element of an entire *Weltanschauung.*" The basic premise of Soviet foreign policy was tersely stated in *Partinoe Stroitelstvo*, an authoritative publication of the Russian Communist Party, in May 1939: "The Land of Socialism does not require the aid of any other power to defend its independence. Relying solely on its own strength it will be able to withstand the attack of any coalition and to destroy the enemy on his own territory." Even today the Soviet leaders have not discarded their belief in the "inevitable" clash between capitalism and Russian communism and, according to Dr. Dallin, they foresee "a time when the Allies will once again, after Germany has been considerably weakened, seek an anti-Soviet understanding with their recent enemy against the Soviet Union." It is in the light of this theory that the author examines and interprets the successive stages of Soviet relations with foreign Powers.

Sudden and unpredictable changes of official policies and reversals of public opinion, of which the Soviet-German relations offer the most striking, although by no means the only, example, are among the most distressing aspects of the amazing story so graphically told by Dr. Dallin. Mr. Churchill undoubtedly voiced the views of the majority of the House of Commons and of the country when, refer-

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ring to the Russo-Finnish war, he said in January 1940: "Every one can see how Communism rots the soul of a nation, how it makes it abject and hungry in peace, and proves it base, abominable in war." Yet, after the German invasion, England was "rapidly falling in love with Russia." "This love, to be sure, was not altogether selfless, but after a while it became blind and passionate", writes Dr. Dallin. "Social philosophers and political thinkers of various shades and descriptions even began to search for a compromise, a synthesis 'of the Russian and the English way of life.'" A similar trend is much in evidence in this country, especially in certain quarters in Washington. Will this mood prove more lasting than the one that preceded it? Who can tell?

Dr. Dallin rightly observes that "the easier tendency now is to shut one's eyes" to the "basic difficulties and contradictions" which separate the U.S.S.R. from England and the United States, but this ostrich-like attitude contains the seeds of bitter disappointments in the future. The solution of the riddle may come from Russia herself. "The great war in which Russia is now engaged has and will result not only in deeds of heroism and sacrifices but also in a crisis in her entire ideological and political system", writes Dr. Dallin. "Upon the outcome of this crisis depend not only the future of Russia, but also to a large extent, the postwar world order."

MICHAEL T. FLORINSKY

COLUMBIA UNIVERSITY

America and the Axis War. By DENYS SMITH. New York, The Macmillan Co., 1942.—vii, 424 pp. $3.00.

"This book is an account of American foreign relations, particularly with Great Britain, from Versailles to Pearl Harbor. The author has lived in the United States since 1929 as a correspondent of English newspapers and most attention is given to this latter period." In these words the author tells who he is and what he has attempted to do. Perhaps the reader's first reaction to this statement might be: "Here's another Britisher setting out to show how the United States has been responsible, if not principally at least very considerably, for the ills of the past two decades." Such a feeling is reinforced by reading the narrative, but with this qualification: the story is told with as much objectivity as may be attained when all the evidence is not available and it is bolstered by citations of

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numerous statements which bear out the generalizations of the text. Moreover, the author's interpretations and conclusions are not out of line with those reached by many Americans who were not and are not isolationists. He concedes the fact that there may be "too little attention . . . given to the responsibility of the chief European nations for the situation which led to war. The errors of omission and commission of London, Paris and Geneva are not lacking because they are forgotten, but because the book is not intended to be a balanced account of the pre-war period." The major theme is the rise and fall of isolationist sentiment in the United States; this Mr. Smith proclaims in his introductory note and this he demonstrates throughout his pages.

Part One concerns itself with the period especially from the Kellogg-Briand Pact through the failure of a policy "stronger than words" after Munich. Part Two covers the period from the winter of 1939-40, when Americans generally concluded that the war was "phony", through Pearl Harbor and the outright belligerency of the United States. The concluding chapter, on the "Shape of the Future", briefly summarizes problems that will face the world when it passes from war to peace, when "chaotic economic and political conditions, particularly in Europe", will call for "policing and relief." While few will question the need of Anglo-American cooperation in post-war times, it is doubtful whether Mr. Smith will find full agreement with his dictum that "just as they have taken the lead in determining the grand strategy of the war, so must the United States and Great Britain take the lead in determining the grand strategy of the peace." It is only fair to say that when the book was published Russia had not started her spectacular counter-offensive against the Nazis and that if the author had finished his account three months later he would have recognized that Stalin had accumulated a sizable pile of blue chips and could not be ignored in the final reckoning, and would perhaps have granted to China some recognition.

From the time of the rejection of the Treaty of Versailles and abjuring the League of Nations down to Munich at least, isolationism was in the saddle in the United States. Failure to obtain real consideration of reduction of armaments, continuing disorder in Europe, the rise of Fascism and Nazism, and beginnings of Japanese aggression, all convinced a large body of Americans that if there should be another world war the United States could and would stay

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out of it. Those who felt this way looked askance at any move which tended to draw this country into coöperation with any European country to avert disaster. Indeed, "Senator Nye, like many other isolationists, believed that the best method of avoiding European entanglements was always to oppose British policy whatever it happened to be" (p. 108). Such an attitude of mind produced the so-called Neutrality Acts to hamstring any effective American collaboration in putting out minor blazes before they merged into a gigantic conflagration. From the beginning of the Roosevelt Administration in 1933 down to the outbreak of the European War in 1939 there was constant pulling and hauling between an isolationist majority in Congress and an Administration which at times took a realistic view of the world and its problems.

When long-feared war came in the autumn of 1939, "the first phase of American wartime policy was marked by sympathy for the Allied cause but not by any feeling that the United States should help that cause" (p. 246). That "section of the American press and public [that] had urged France and Britain to take a firm stand against the Dictators" now fell back to condemning "war" and not "aggressors", and even the Administration quibbled about "minor inconveniences", whether from aggressors or their opponents. After the Finnish defeat by Russia, however, the tide began to turn, and progress from neutrality to benevolent neutrality to non-belligerency and then to limited belligerency came with a rapidity incredible in the light of isolationist strength before 1939, even though the pace seemed snail-like to those bearing the brunt of Axis assault. Pearl Harbor and declarations of war by the other two Axis Powers put the capstone on the edifice of full American cooperation.

Taking Mr. Smith's own limitations as stated in his preface, this book is a very competent summary of the "rise and fall of isolationism in the United States." Its objectivity is remarkable even though the author does not disguise his own feelings; he praises and condemns American policy out of the mouths of official Americans themselves. It is one of the more useful of the books which have been appearing in the past few months for mere factual statement as well as for interpretation.

L. B. SHIPPEE

UNIVERSITY OF MINNESOTA

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The Panama Canal in Peace and War. By NORMAN J. PADELFORD. New York, The Macmillan Co., 1942.—xii, 327 pp. $3.00.

The Panama Canal is a part of the national defense system of the United States. It is also available to foreign vessels, applying for passage and paying the requisite tolls, if they are prepared to abide by the laws relating to the Canal and do not endanger its safety. "These facts make the Panama Canal a matter of concern not only to the United States and its citizens, but also to the mariners and governments of foreign nations. How far can the United States go in regulating use of the Canal by others? What obligations must be met by users of the Canal? To what extent is it advantageous to employ the Canal route, and what does it cost to transit the Canal? How is the enterprise administered? What part does the Canal play in the war effort of the United States when engaged in war? What attention attaches to the Canal and the Canal Zone in the strategies of peace and war?" (p. vi)

Such questions—practical ones that face the masters of approaching vessels, or government officials or Canal employees—are answered with scholarly precision in Dr. Padelford's excellent book.

After tracing the development of the ideas which ultimately led to the construction of the great waterway, the author presents the most exhaustive analysis that has ever been made of the rights and powers derived from acts of Congress and from our treaties with Great Britain and Panama. Although the treaty negotiators used the term "neutralization" for the waterway, they left to the United States the right to fortify it, to use it for its own war efforts, and to control its use by belligerents in order to guarantee its safety. The Canal, therefore, is not nationalized, but is subject to the sovereign power and authority of the United States.

In discussing the operation of the Canal in peace and in war, Dr. Padelford emphasizes the manner in which the United States has tried to balance the "neutralization" of the waterway, on the one hand, with its own belligerent rights on the other. National policy places the Canal under the commanding officer of the Army in the Zone, in time of war includes the Canal and the Zone within the land and water declared to be at war with the enemy, applies many wartime laws in this area, and excludes enemy vessels, albeit on the ground of protecting the waterway. At the same time, during war, the United States enforces proclamations for the neutrality of the Canal and Zone.

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Dr. Padelford's book gives us the first extensive account of the government and administration of the Canal and Zone. Although the author doubts whether the Zone as distinguished from the Canal may be regarded, under the 1903 Convention, as a "possession" of the United States, "there is no denying that it is territory under the jurisdiction of the United States" and, therefore, "falls within the scope of the powers of Congress under Article IV, § 3", of the United States Constitution (p. 184). The administrative organization of the Canal and Zone is highly centralized, pointing up in the Governor, who has "official control and jurisdiction over the Canal Zone and shall perform all duties in connection with the civil government of the Canal Zone which is to be held, treated and governed as an adjunct of the Panama Canal" (p. 194). He has always been drawn from the ranking officers of the Army Engineer Corps. This system has assured continuity of policy, as the Engineer of Maintenance acts for the Governor in his absence and is the Governor's right-hand man. It has also averted politics from an office requiring both exceptional knowledge of engineering and consummate skill in administration. The Canal Zone is efficiently, but not democratically, governed, for the inhabitants have no voice in the choice of the officers of government or administration.

The economic significance of the Canal is lucidly described in terms of the use of the waterway by the world's shipping, the cost of transit, the effect of its use on American and foreign shipping and trade generally, and the cost of its operation to the American people. The author significantly points out that, from 1931 to 1941, the tonnage of scrap metal enroute to Japan "rose meteorically" (p. 290), and he adds: ". . . it cannot be gainsaid that the Canal has benefited foreign Powers preparing for totalitarian war and conquest. It has been an accessory to the furtherance of aggression irreconcilable with the national interests of the United States, destructive of the organization of world peace" (p. 291). This appalling situation raises the question whether the United States should again allow the Canal to continue to be used as a means of facilitating the preparations of nations bent upon wars of aggression. The lessons of the past and our plight today clearly indicate that we should discriminate against foreign shipping during times of peace in order to prevent the recurrence of present conditions. Such discrimination would be a genuine contribution to world peace and a weapon against future aggressors.

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This admirably documented volume reveals a broad grasp of an enormous subject and precision in analysis of its intricate problems. International lawyers, historians and political scientists should study it; even laymen will find it informative and interesting reading.

WILLIAM E. MASTERSON

TEMPLE UNIVERSITY

The Policy of the United States Toward the Neutrals, 1917-1918. By THOMAS A. BAILEY. Baltimore, The Johns Hopkins Press, 1942.—xvii, 520 pp. $3.50.

This book, comprising the Albert Shaw Lectures on Diplomatic History for 1941 at the Walter Hines Page School of International Relations, sets forth the results of an unusually thorough research on the relations of the United States with the neutral countries during our period of belligerency in the first World War. The United States upheld the rights of the neutral previous to our entry into the war and afterward advocated in a general way the cause of the belligerent. It was, therefore, charged that the American government violated the principles of neutral rights which it had previously claimed to be international law and that it thus stood self-convicted as a law violator. Professor Bailey examines the indictment and comes to the conclusion (p. 492) that the United States "did not violate international law in a sweeping and ruthless fashion, and that its record on the whole is creditable." This conclusion is derived from the author's examination of documents in various collections of war papers in this country as well as by a perusal of the more available published sources. Professor Bailey also received information from a number of prominent Americans who had been officially connected with the Wilson administration during the war and had administered the policies under consideration. The book goes into detail regarding practices adopted by the United States as a belligerent, such as the blacklist, bunker control, postal censorship, cable censorship, hovering outside the three-mile limit for purposes of visit and search, expansion of contraband lists, angary, and various others. It furnishes an excellent discussion of the legality of these practices, and it is, therefore, of value to students of the law of neutrality.

The conclusion that the record of the United States is not to be condemned appears sound. This judgment, however, might have been made to rest satisfactorily on the basis that international law in many of these cases was hazy and in a condition of change so that

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it was impossible to say that protested practices were or were not violations of clear legal principles. Wide differences in emphasis between the contentions of a given country as a neutral and of the same country when at another time it happens to be a belligerent are almost certain to occur. Under the traditional concepts of neutrality and belligerency they may well be regarded as normal. Nevertheless, as the author points out, the United States showed considerable restraint with regard to belligerent practices alleged to be illegal. Despite the necessity of relying mainly on American sources in his work, Professor Bailey retains in general an admirably objective attitude, although it may be that in one or two places, such as concern our relations with Mexico and with the Yucatan sisal commission, he views our controversies somewhat too unilaterally. One valuable part of the volume deals with the negotiation of trade agreements between the United States and various neutrals. The material is full and illuminating with regard to these matters and should be of great interest to students of wartime economy. It makes remarkably good background reading for an understanding of the export control work in the present war. The book should add to the excellent reputation of its author.

BENJAMIN H. WILLIAMS

THE UNIVERSITY OF PITTSBURGH

The World after War. By HENRY BAMFORD PARKES. New York, Thomas Y. Crowell Co., 1942.—vii, 240 pp. $2.50.

Professor Parkes's book is an argument for a continuation of the United Nations after the war as a police force to prevent a renewal of the conflict. The defense of this thesis is negative as well as positive; he endeavors to show that all other proposed solutions of the problem of world peace—such as pacifism, isolationism, a League of Nations, a Federal Union—are either impossible or insufficient. He takes his stand on the old-fashioned principle of the balance of power among sovereign states, but he understands by a proper balance of power a preponderance of power in the hands of the satisfied or satiated governments: Bismarck's concept, in short, though applied against Bismarck's nation.

It is not necessary to agree with this point of view to feel admiration at its clear and cogent expression. For all its brevity, the book is really a classic study of power politics. The author begins by a

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survey of the world condition left by Versailles. Neither Wilson nor Clemenceau had his way; in consequence there was neither a peace of justice nor a peace of power, but rather a peace severe enough to irritate the vanquished and yet not strong enough to restrain them. Moreover, Japan and Italy were left discontented, and hence potential allies of Germany. Even a milder peace would not have eliminated German resentment; for any proud nation resents defeat in war. Yet mere repression cannot be the answer, because democratic nations will not, in the long run, sacrifice their comfort to enforce a peace which disquiets their consciences. "An unjust peace will lead to more wars not merely because the defeated nations will resent it but also—and chiefly—because the peoples of the victorious nations will refuse to use force to maintain it" (p. 66).

Nor is isolationism an escape. "Although the isolationists cling to the letter of the Farewell Address and the Monroe Doctrine, it is the interventionists who more correctly interpret their spirit" (p. 89); in each generation the American government must do whatever is necessary for national security, even if it means a war at the other end of the earth. As for the League of Nations, "The only kind of League which could have prevented war would have been a League restricted to satisfied powers and frankly and avowedly devoted to the maintenance by force of the status quo" (p. 126). As for Federal Union, "If, then, we are to judge federalism by American experience, it would appear that it has great advantages but also that it can be achieved only through fear of external pressure, that it does not prevent internal rivalries and civil wars, and that it is apt to end in a centralization of power which works to the detriment of minor sections" (p. 155). At some remote future time a real international federation may be possible but "such a transformation must not be expected within the twentieth century" (p. 185). In the meantime, the only realistic solution is a world policed by the less aggressive powers, in which number he includes Britain, the United States, Russia and China.

There is no need in the compass of a brief review to elaborate an argument against the author's position. Here is the statement of the case for a more democratic and benevolent Metternichism or Bismarckism; peace protected by powerful sovereign governments whose interest lies in protecting it. Each reader can criticize the case, or accept it, as he prefers. Nor is it important to pick minor flaws on points of detail; for the importance of the book lies wholly in its logical construction, not in its incidental comments on particular

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events. Lloyd George, however, might feel chagrined at the statement, "The two dominant figures in the drafting of the Versailles treaty were President Wilson of the United States and Premier Clemenceau of France" (p. 6). What price the British Empire?

PRESTON SLOSSON

UNIVERSITY OF MICHIGAN

Victory Is Not Enough: The Strategy for a Lasting Peace. By EGON RANSHOFEN-WERTHEIMER. New York, W. W. Norton & Co., Inc., 1942.—332 pp. $3.00.

Dr. Wertheimer is an Austrian intellectual, diplomatic observer and journalist now in exile and resident in the United States. He writes with a considerable measure of objectivity about the reasons why the peace settlement of 1918 failed, and why humanity might legitimately expect better luck next time. Emphasis is placed upon non-economic forces, not because these are deemed most important but because they are often ignored.

Europe succumbed to Hitler for a number of reasons. First, Allied statesmen did not understand either the import of their victory or the Germany on which they imposed a peace. Second, German leadership was inexpert and unimaginative. Third, the peoples of the Continent were moving away from Marxism toward some kind of synthesis between conservatism and social reform. Nazism profited by the blunders of those to whom the destiny of the Continent was entrusted, but its golden opportunity was the average citizen's quest for something more beguiling than the Communist Manifesto. Perhaps the idea of international order and solidarity could have fascinated the masses if the League of Nations had been less blandly Anglo-Saxon. It was characterized by the belief that "public opinion" is a controlling agent in human affairs. Since Europeans generally are deeply skeptical of public opinion, the purposes of Geneva were lofty but its ability to control the world situation was less than complete.

One fancies that all this amounts to a polite way of saying that if the United States had been willing to endow the League with some kind of big stick the history of modern man would have been different. To be sure, Dr. Wertheimer places most of the blame upon the shoulders of cynical and prosaic Continental generations. But he contends that after this war the United States must take the lead in the effort to reëstablish human society. Unless Washington is ready to act on the basis of a complete and carefully thought-out

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peace plan, Russian communism will dominate Europe. The plan must envisage a considerable amount of compulsion, for Europeans do not really grasp anything else. Institutions must be set up for preserving the peace, and they must resort to the bastinado when that is necessary.

In support of this argument, Dr. Wertheimer cites the present probable European outlook. Only a very few of the citizens of Europe are accustomed to the impact of public opinion. Were a vote to be taken now on the subject of Nazism, the Continental majority would (he thinks) doubtless ask what the United Nations proposed to do and how they intended to get what they wanted. That majority is accustomed to the rôle of the opposition, but not to the democratic conception of the function of an opposition. America must therefore proclaim a fighting democratic faith. That faith ought not to indulge illusions. Constitutional monarchy is not necessarily bad. Prussianism has an inlay of limited but important virtues. Conservative forces deserve attention, if only because the word "democracy" has been used by a great number of European fools.

Europe must be united on a federal basis. I wish that Dr. Wertheimer could have made a little clearer just what he means by "federalism". Perhaps that might have been the proper thesis of his book, which suffers from normal bias and from an attempt to be all-inclusive, but which is nevertheless a realistic and valuable commentary on the observable European attitudes toward the coming peace.

GEORGE N. SHUSTER

HUNTER COLLEGE

The International Steel Cartel. By ERVIN HEXNER. Chapel Hill, The University of North Carolina Press, 1943.—xxii, 339 pp. $6.00.

In spite of the keen interest of economists and political scientists in the phenomenon of "imperfect competition", we still are lacking in reliable and up-to-date information about many of the business organizations which contribute to make competition imperfect, about their specific causes, their structure and their activities. With the competence of a mature scholar in law and economics and with an insight and knowledge derived from his participation in the administration of the scheme (as manager of the Czech group), Mr. Hexner has given us such a study of the international (world) steel cartel until its dissolution by the present war.

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Starting where older competent studies leave off, the author describes the gradual rise of this organization from small beginnings and the rôle of national industrial groups and of national market organizations in it. He discusses its structure, character and mode of operation in detail. Particularly interesting is the account of the interrelation of political events and cartel developments. Likewise the student of politics will profit from the frequent passages referring to the close relation (which in most cases was a close coöperation) between the international cartel and its subgroups, and governments interested in steel exports and imports.

The very active rôle of Belgian banks in forcing reluctant Belgian steel mills into the scheme has, of course, its parallels in the earlier history of several national cartels and trusts.

With the knowledge of the close onlooker and participant, yet with great objectivity, the author describes the unbureaucratic and informal mode of the operation of the scheme, stressing, *inter alia*, the rather full exchange of information on technological progress among the participants. The cause for this informal and coöperative character of its management might perhaps become more patent, if the author had dwelt more on the vast industrial concentration in the form of close mergers which underpin most of the cartel schemes on which the discussion of the book centers. One was, after all, in a not too big family of large corporations and concerns with intertwined international interests and relations, which had been formalized and thereby stabilized to a certain extent.

Whether the excursion of the author into the field of semantics concerning cartels has achieved more than to list some very pertinent desiderata, we are not sure. Less satisfactory, particularly to the economist, is the discussion of the price policy of the steel cartels. Because of the limitations of a manageable topic, the lack of reliable and complete statistical material, as well as the particular difficulties of price analysis in a period of shifting exchange rates and publicly "managed" national prices, the author was probably justified in refraining in the main from an analysis in terms of modern price theory. What he presents, however, in that respect is not enough to be satisfactory, and too much to keep him safe from criticism. But the description of the technique of price administration which he gives, instead of price analysis, is interesting, and so are some of the hints and warnings he offers to the student who ventures to enter into price analysis in the international steel market during the period here under observation.

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The concluding chapter discusses, among other topics, the relationship of the international steel cartel to the framework of government policy and general law within which it operated, and its past performance and future possibilities in contributing to the stabilization of our civilization. To this reviewer's mind, this discussion shows the same sound mixture of vision and sober, unemotional and unbiased realism which distinguishes the book throughout. A lengthy appendix contains documentary and statistical material, and an index completes the book.

HERBERT VON BECKERATH

DUKE UNIVERSITY

Economics in Uniform: Military Economy and Social Structure. By ALBERT T. LAUTERBACH. Princeton, Princeton University Press; London, Oxford University Press, 1943.—xi, 282 pp. $3.00.

In this valuable contribution to war economics Professor Lauterbach has placed his main emphasis upon the general setting of the war economy in different socio-political systems and the transformations through which these systems will have to pass once peace is restored. He is not concerned with specific wartime policies, and the national conditions of their optimum effectiveness, but rather with a comparative history of ideas and their impact upon preparedness, war economy, and the aftermath of war in different parts of the world. The general approach of the book is a tribute to the pioneering work of Edward Mead Earle and his research group at the Institute for Advanced Study, of which the author formerly was a member. His method of interdisciplinary coördination enables him to avoid disproportions and to show the interrelations of political ideologies and socio-economic institutions.

The book is subdivided into nine chapters, dealing with the European ordeal and its American aftermath, the changing concepts of war and peace, the historical roots of the German idea of military society, *Wehrwirtschaft* and totalitarianism, Germany's new economic order in Europe, the mutual impact of capitalism, preparedness and democracy, economic conditions of American security, economic warfare, and the economic aftermath of war. This is a wide range of subjects, not easily integrated, the competent treatment of which is a tribute to Professor Lauterbach's learning. He is at his best when he finds occasion to unearth the historical roots of present-day institutions, and his chapter on German military society is unsurpassed in

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its subtle analysis of the destructionist impulses in the Teutonic national character. To mention a few other highlights of the book: The chapter on "*Wehrwirtschaft* and Totalitarianism" is concluded with a section entitled "Is There a Way Back?" Here Professor Lauterbach discusses the probable social structure of a post-Hitler Germany. His conclusions, while well guarded and carefully worded, seem to indicate that a strong popular reaction against economic and political regimentation, followed by an attempt at laissez faire, is less likely than a mere shift in the aims of control with greater emphasis on a "democratically guided peaceful increase in the standard of living" (p. 115). It remains to be seen to what extent such "democratic planning" will prove feasible in an environment which is by tradition and character so utterly unsuited to it, an environment where economic objectives have seldom ranked high on the scale of values.

In his final chapter on the aftermath of the war, Professor Lauterbach's sense of realism prevents him from refusing to recognize the present revival of nationalistic impulses among the nations now suffering under the Nazi yoke. While this revival is understandable as a reaction to the present plight of these countries, it may in the post-war world prove a formidable obstacle to an international organization whose effective functioning necessitates the abandonment of the traditional concept of sovereignty and all that it stands for. It seems to the reviewer that we shall live in a world whose component parts will be economically more dependent upon each other than ever before in history; at the same time, the economically weakest countries will be most anxious to have their sovereignty and boundary lines restored. In this situation the economically strong countries will face grave responsibilities with which the old weapons of power politics will be able to cope only in the short run. The long view, for the neglect of which during the 'twenties and 'thirties the world now so dearly pays, will require a liberation of nationalism from politics.

HENRY W. SPIEGEL

DUQUESNE UNIVERSITY

Business as a System of Power. By ROBERT A. BRADY. New York, Columbia University Press, 1943.—xxi, 340 pp. $3.00.

The central theme of this book seems to be that in every country there is some super organization of large business interests, referred to as *Spitzenverbände*, which exercises tremendous political, economic

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and social power. The first chapters trace the development of these business organizations in Germany, Italy, Japan, Vichy France, Britain and the United States. The last three chapters deal with the economic, social and political policies of the *Spitzenverbände.*

It is difficult for a reader whose mind is accustomed to deal with things that are definite and concrete to follow the author in his flight through the stratosphere of generalities, abstractions and nebulosities. The manner of the exposition is well illustrated by the following paragraph:

> But in an hierarchically organized society (such as Hobbes desired and whose formal authoritarianism Bentham rejected), where advancement from below becomes increasingly a matter of cooptation from above and where the wished-for pattern of social authority is coherent with the proto-typal leader-led systems of the spreading business corporation, military service, or clerical bureaucracy, it is not difficult to see how what was once recognized as a system of desirable "freedom" may be readily transmuted into a set of prescriptive dogmas in support of authoritative regimentation (p. 272).

A further illustration of the literary style is this quotation from page 292:

> When these techniques and ideas are focused on the "sale of ideas," the net result may be summarized as forceful persuasion, via calculating doctrinal exegesis, of those potentially convertible social layers who are most apt to be won over to the rules of status at the lowest per capita cost, by articulate and ideologically ambidextrous spokesmen for those who have a special vested interest in the maintenance of the status quo.

For persons who like to hunt for the idea which lurks in the luxuriant forest of verbosity, this book will be a real delight. It gives the impression that business organizations are sinister and evil forces—but this effect is usually produced without making specific charges which can be verified or refuted. Its effect is like the feeling of apprehension and impending danger which comes when we walk in the dark.

"The American Way", the title of chapter vi, is devoted almost entirely to the history and policies of the National Association of Manufacturers. Here, an attempt is made to show that the N.A.M. originated, dominates, controls or influences various other business organizations, such as the United States Chamber of Commerce, the National Industrial Council and the National Industrial Conference Board. The author endeavors to show that the National Industrial

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Council is a satellite and subsidiary of the N.A.M. The N.I.C., however, is an independent group of organizations entirely controlled by its own officials and members.

The author's hostility to business organizations is indicated in his effort to explain how the National Industrial Conference Board is dominated by the N.A.M. He says:

> Paralleling in part this elaborate policy-formulating mesh work is the National Industrial Conference Board.
>
> On the one hand it was to supply relevant information to the N.A.M. and other sponsoring and member associations; on the other it was to provide the factual background for a convincing propaganda that has been adjusted, as it has evolved over the years, to meet all levels of intelligence and knowledge, and to affect professor, housewife, and day laborer.
>
> The Board's research facilities are elaborate, expensive, and impressive. Occupying sumptuous quarters on lower Park Avenue, New York City, it is equipped with a large research staff, extensive library facilities, and a vast corps of domestic and foreign correspondents, who enable it to turn out research findings on a mass production basis.
>
> Having such an elaborate apparatus for soaking up, sifting, disseminating the raw materials for "thinking together" at their beck and call, the N.A.M. and its numerous affiliates are "able to voice a united opinion on vital national questions" and to back up the N.A.M.'s claim that it "is the only organization exclusively representing the interests of American industry" on all policies of mutual interest.

The N.I.C.B. is a fact-finding organization supported by nearly two thousand universities, banks, trade associations, corporations and individuals, at an annual average cost of slightly over two hundred dollars per member. This reviewer, who has frequently visited the N.I.C.B., never considered that the offices were sumptuous or expensive. As for the charge of propaganda, the annual report of the Board states: "The Board is not a political propaganda or legislative lobbying organization. The results of its work are made available to the public and to government for such use as may be made of them" (p. 39). As for "thinking together", this can hardly be a crime if the views held are correct; however, it is notorious that business men are individualists who can and do form their own opinions. They probably do less collective thinking than any other group. There is a great need for economic enlightenment on all levels of intelligence, from professors to day laborers—and sincere attempts to diffuse knowledge should not be dubbed "propaganda".

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The author seeks to connect the N.A.M. with the United States Chamber of Commerce. On page 205, he states:

> It [N.A.M.] has actively promoted employers' associations (trade, regional and local), which have become affiliated with it through the National Industrial Council, and it has also aided in the formation of many general and special purpose organizations. An example of the former activity is the participation in the organization of the United States Chamber of Commerce in 1912, which was established to promote all American business objectives similar to those championed by the N.A.M. for industry.

The United States Chamber of Commerce is entirely independent of the N.A.M., and the author is unable to prove a dependency which does not exist.

Dr. Brady dwells on the political power of business, but is it not obvious that a few thousand business men in the N.A.M. can exert no appreciable influence on legislation in a democracy of 130,000,000 persons, unless their recommendations are so sensible that they will be endorsed by millions of voters? If business does exert great power, how has it been possible to pass so many laws which are prejudicial to business interests?

It is obvious that Dr. Brady is against something, and the reviewer wishes that he had stated more explicitly what he opposes and what he proposes. He has collected many quotations and fragmentary facts and ideas and has tried to build up some kind of a case against business, trade associations, capitalism and property. The central theme seems to be that business is a gigantic, nefarious conspiracy. But the looseness of the argument and the obvious bias of the author make the book rather ineffective.

JOHN W. SCOVILLE

DETROIT, MICH.

Zones of International Friction: The Great Lakes Frontier, Canada, The West Indies, India, 1748-1754. Volume V of *The British Empire before the American Revolution.* By LAWRENCE HENRY GIPSON. New York, Alfred A. Knopf, 1942.—xlviii, 352, lix pp. $5.00.

This is the second of two volumes, in Professor Gipson's comprehensive survey of the British Empire before the American Revolution, devoted to the "zones of international friction" between the British Empire and its greatest rival. At the beginning of the first of the

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two volumes (volume IV of the work) he says: "The purpose . . . of this volume and the one to follow is to deal with those dynamic forces that were operating in North America and elsewhere to press back the frontiers of the Empire and, as a result not only of economic penetration of new regions by individual traders and merchants and the United East India Company but of colonization as well, to bring it to grips with its great rival, the French empire" (p. 3). In this purpose he has admirably succeeded. Not only do these two volumes constitute the only survey of its kind; they are also exceedingly well done.

The most remarkable quality of the way in which Professor Gipson develops his Parkmanesque thesis is the breadth of perspective with which he surveys the "dynamics" of the first British Empire as a whole, to which he adds enough of a description of conditions in the French colonies to explain the French side of the inter-imperial conflict. He stands solidly in that school of colonial historians that considers the British Empire of the eighteenth century as the statesmen of that century thought of it, that is to say, as a whole and not as somehow revolving around thirteen of the colonies on the North American continent. His grasp of the entire situation is remarkable, and the detail of his narrative, based directly upon the sources, is extraordinarily accurate.

The fourth volume of this work described the dynamics of rival imperial expansions in the Mississippi and Ohio basins. The present volume carries the survey through French Canada, the Iroquois country, the "Neutral Islands" of the Caribbean, and "East of Good Hope" into the rivalry of the two great India companies. There is much that is new in the book, especially in the parts dealing with the Iroquois, the Albany Congress, and the Anglo-French rivalry in the "Neutral Islands". The high point is in the two chapters dealing with the Albany Congress and its results—an account that probably supersedes everything thus far written on the subject. Too little is said, perhaps, of the dynamics of the conflict with the Spanish Empire (probably to be discussed in a later volume), and nothing is said here of the Anglo-French rivalries in Africa (discussed in volume II of the work).

But the greatest significance of this book derives from its presentation, for the first time, of the picture of the two empires, British and French, as they rubbed and jostled each other all round the

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world in their scramble to control the goods, chiefly commercial, that lay at the basis of mercantile wealth and national power. For the mercantilist statesmen of the eighteenth century understood the power of the state to rest upon mercantile wealth; that wealth they thought to derive, in the final analysis, from the essential raw materials of commerce, many of which, such as sugar and spices, could be procured only in overseas areas of the world; these areas must be controlled if the commerce and, therefore, the power of the state were to be maintained and increased. It was Anglo-French rivalry for control of such commercial-raw-materials-bearing areas in the "zones of friction" that brought them into conflict.

The diplomatic "efforts to save the peace" between 1749 and 1756 were sincere efforts that were foredoomed to failure by the impossibility of Englishmen and Frenchmen of that day achieving any effective degree of mutual confidence and trust in each other's integrity. Professor Gipson leaves the impression that the French were more to blame for the failure of these efforts at peaceful settlement of international disputes than the British, and, so far as their actual actions go to show, he makes a convincing case. The true explanation of the failure, however, probably lies much deeper than in diplomacy and politics, in the greater expansiveness—the more potent "dynamics"—of the British colonial societies and the greater freedom for the operation of that expansiveness allowed by the British colonial system. The mercantilist state of the eighteenth century was completely self-centered; there was nothing to limit its expansiveness or its ambition but the power of its neighbors' arms. Given the truly dynamic expansiveness of the British Empire of the eighteenth century, it is probably safe to say that it would have been impossible for diplomacy, in any case, to stop it.

Be that as it may, this is the story of two rival imperial titans racing for the same world-wide goals. Things—and men—being as they were, the race was inevitably destined to end in a fight—to the death. Mr. Gipson's survey is not concerned with the fight, but only with the conditions that made the fight inevitable. He has not missed the dramatic opportunity that was presented to him in this situation.

MAX SAVELLE

STANFORD UNIVERSITY

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The Unguarded Frontier: A History of American-Canadian Relations. By EDGAR W. MCINNIS. Garden City, Doubleday, Doran & Co., 1942.—384 pp. $3.00.

Canada, Today and Tomorrow. By WILLIAM HENRY CHAMBERLIN. Boston, Little, Brown and Co., 1942.—vii, 338 pp. $3.00.

The Common Problem. By WILLIAM R. YENDALL. Toronto, The Ryerson Press, 1942.—xii, 339 pp. $2.00.

Professor McInnis' book is a response to the mounting awareness of international interplay in the Americas which was anticipated eleven years ago, where the United States and Canada were concerned, by the Carnegie Endowment for International Peace. This well-informed account of American-Canadian relations for the general reader was written while the author was visiting Canadian professor at Bowdoin College last year.

The narrative is for the most part focused on the frontier, that is, on the political manifestations of the relationship. As might be expected from the author of the *Oxford History of the War*, McInnis writes lucidly, economically, and with sustained interest. In spite of the excessively tangled problems with which he deals, his account almost never gets bogged down in detail. His technique entails occasional, questionable generalizations and partial truths, but these are not seriously misleading or tendentious. In dealing with the unremitting problem of how much domestic Canadian history is needed by American readers and vice versa, the compromises are generally well judged, with a balance of risk that Americans will not catch the full implications of some allusions to Canadian affairs.

It is unfortunate that the history becomes perceptibly thinner after 1875, for the issues themselves become more complex. Perhaps they are too complex to be simplified for the layman. At any rate, McInnis' treatment of the last seventy years is on the one hand scantier, and on the other less critically acute. This seems to be partly the result of time pressure and of having given over a quarter of the book to the crowded, if fundamental, period between 1760 and 1820. The exacting problem of reconciling regional history with chronological sequence between 1840 and 1867 (chapters x-xii) is only fairly well handled. So far as particulars are concerned, some attention to W. P. Webb and A. S. Morton would have improved the account of prairie settlement; railways deserve more explicit or more sustained treatment; and French Canadian separatism should be a major, not a minor, element in the more recent history.

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Mr. Chamberlin's book is evidence that it is difficult for a foreigner to write a good explanatory description of Canada unless he can afford to live, read and travel there over a long period. André Siegfried twice managed it by shrewd concentration on specific subject matter and by his method of patiently consulting living authorities until he had built up a dependable basis in the printed and spoken word for his incisive and interesting interpretations. Mr. Chamberlin does not know enough about Canada. When he is reporting personal experience, he is often illuminating, but when he ventures below the surface or generalizes broadly, he is frequently lost. Slipshod writing and repetition of fact and phrase mar his book, and it is inevitable that his appreciative account of the mounting Canadian war effort should quickly get out of date.

The Common Problem is remarkably like the tracts of a century ago in which Harriet Martineau strove to reconcile the lower classes to the iron laws of classical economics. The author, a former American who has been a Canadian business man for thirty years, is alarmed by the increase of governmental intervention, by the rising Canadian socialist movement, by the increase of employment in services, and by theoretical economists and other intellectuals. Like Jane Welsh Carlyle, he believes that "the great bad is messing things up." His long plea for "friendly teamwork", in order to maintain as much individualism as possible under a kind of natural aristocracy of business management, is based upon wide reading, but its grave lack of logical discipline makes it inferior to C. H. Snyder's *Capitalism the Creator*. The author ignores the fact that he lives in a democratic state; in fact he is profoundly opposed to democracy if the reader is to take at its face value the statement (p. 241): "In situations where opinion among men of experience and intelligence is divided 60-40, or even 70-30, it is a mistake to coerce the minority by a majority vote."

J. B. BREBNER

Economics of Social Security. By SEYMOUR E. HARRIS. New York and London, McGraw-Hill Book Company, 1941.—xxvi, 455 pp. $5.00.

Professor Harris has divided his treatment of the economics of social security into three parts: (1) with relation to output, (2) with relation to finance and reserves, and (3) with relation to incidence and effects. The book is notable for its encyclopedic coverage and for its annotation—the important sources from which the author

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has failed to draw must be few in number. There is a great store of information concerning the development of the American social security program, particularly with regard to the focal point of the author's interest, i. e., the investment of social security reserve funds. Equally voluminous is the theoretical discussion. Professor Harris has drawn intensively upon the modern tools of economic analysis, including the monetary concepts of Keynes, the tools of imperfect competition analysis, and of substitution analysis. In this connection the analysis of incidence and effects is particularly interesting.

Unfortunately, the faulty organization of the book does much to offset its merits. The amount of material is very great and gives the impression of having been hastily thrown together; in some places the treatment calls to mind the case of the man who jumped on his horse and rode off in all directions and the effect upon the discussion is much the same as must have been the case with the horse concerned (the subsequent fate of this steed has never been properly considered in the literature). For instance, Part I is supposed to be devoted to a discussion of the effect of the social security program upon output. Logically, such an effect might be expected to depend upon two considerations: (1) the effect upon the composition of demand, and (2) the effect upon the organization and utilization of factors, i. e., the composition of supply. In any case, the problem to be analyzed should be stated in these or some other terms; accordingly, it is somewhat confusing to find that chapter i of the section on output is entitled "Abandonment of the Reserve Principle", that it begins with a discussion of the political aspects of the problem of reserves, and that it never mentions output at all. It would seem that if one is to begin a discussion of output by considering the reserve principle, a connection needs to be established between output and the reserve principle; this need is not satisfied by the author's having previously pointed out that the problems of output, reserves and incidence are interrelated.

Along this same line, the question of whether or not production is changed or redirected has everything to do with incidence and effects. If production remains the same, obviously the effects can consist only of a redirection of the flow of goods, relative to what would otherwise have been the case. If the net effect of a social security program is to stimulate production, or to leave it unchanged, relative to what would otherwise be the case, then there is very little point in discussing incidence in conventional terms. It is these over-all considerations which need to be made explicit; a good many of us

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would do well to revert to Ricardo at times for some points on analytical technique.

In connection with many questions, Professor Harris states the pros and cons and completes the discussion with a summary, which is all very well except for the fact that the organization often causes the reader to lose sight of the woods and observe only the constituent trees. Part of this is due to the inclusion of irrelevant or imperfectly integrated material, exemplified by the discussion in the chapter on monopolistic competition devoted to the analysis of the firm and to the effect of a tax on the individual firm.

There is much valuable material here, but it must be pieced together by the reader himself, without too much regard to section headings or, in some cases, to chapter titles.

LYLE C. FITCH

COLUMBIA UNIVERSITY

The Theory of Incidence of Sales Taxation. By JOHN F. DUE. New York, King's Crown Press, 1942.—xii, 257 pp. $2.25.

This is an excellent analysis of the incidence of sales taxes under conditions of pure competition, pure monopoly, and the commonly found in-between conditions of monopolistic competition and oligopoly, both in the short and the long run and with variable assumptions concerning demand and costs. The approach is primarily from the standpoint of the individual firm, and the theoretical conditions of pure competition and pure monopoly are used as a starting point for the analysis of the incidence of sales taxes under monopolistic competition and oligopoly. The subject with which the author deals is highly complex and difficult, but he moves with ease from clearly stated assumptions to conclusions which follow logically.

The study is especially opportune because it makes a substantial contribution toward filling the urgent need for the application of the newer economic theories to tax incidence, especially under the conditions of monopolistic competition which have been so prevalent in our economy and which have been neglected by many tax theorists. The analysis is also most timely because much heavier taxation will result from the financial requirements of World War II and the excises and other commodity taxes will probably be employed to procure much greater revenues.

Professor Due examines the incidence of special sales taxes at specific and ad valorem rates, of general producers' and general retail sales taxes, and of general turnover taxes and comments upon the

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results of the empirical studies of the incidence of the agricultural processing and of chain store taxes. His study includes charts, copious footnotes, and a bibliography of English and American literature. He employs the term incidence to refer to the reductions in the real incomes of the various social groups because of sales taxes and relates their incidence to the price and quality changes of commodities and the modifications in the rewards going to the producing agents. The terms employed are generally defined clearly for the reader, who is assumed to have a reading knowledge of economic theory and of taxation. No doubt there will be some disagreement over his conclusions, but economists are not expected to be in perfect agreement on such a complex subject as the incidence of sales taxes. Those who are interested in the effects of government spending upon the economy will want to supplement at occasional points the author's analysis of the possible effects of the expenditure of tax collections.

This volume is recommended as required reading for those who wish to keep abreast of the changes in economic theory and their application to sales tax incidence. Some readers may be nettled by the inconvenience of referring to the rear of the book for the footnotes and the charts and many may wish that the study had been printed with a more permanent binding, but readers will universally be grateful that such an important study has been made available. Perhaps the lower cost of the publication in the offset form will induce more readers to purchase the volume.

ALFRED G. BUEHLER

UNIVERSITY OF PENNSYLVANIA

Ballots and the Democratic Class Struggle. By DEWEY ANDERSON and PERCY E. DAVIDSON. Stanford University, Stanford University Press, London, Oxford University Press, 1943.—xiii, 377 pp. $4.00.

Many approaches to the study of politics have been employed by American scholars, including the historical, philosophical, sociological and the psychological. Political scientists and students of public administration have also made their specialized studies of politics. During the twentieth century several American scholars have experimented with what is called the economic interpretation of politics, and this book falls within this classification. Generally speaking, it is a statistical approach to the economic interpretation of politics; more specifically, it is an occupational approach to the interpretation of ballot behavior.

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In addition to examining the traditional factors which influence the party affiliation of voters, the authors analyze such important sources of political motivation as occupation, economic status, residence, social prestige, leadership, education, propaganda, nationality, race, religion, sex and marital status, as well as other complex clusters of ideas and feeling which are associated with such words as occupation, income and property. The authors have assembled a vast array of statistical data, indicating why and how occupational status influenced political behavior in two recent local California elections.

More clearly than in any previous study of this kind, the data indicate the high political significance of occupation, and substantiate the view that political influence is identified with persons who follow the professions. The data confirm the old observation that business has an important stake in government, and also that the voters are becoming more conscious of their own economic stake in government. Likewise, the conclusion that voters may preserve and promote their own economic well-being by influencing the course of politics and government through the exercise of their right to vote did not require statistical confirmation. That individual voters do not always vote for candidates and policies which reflect their true economic interests is also a commonplace observation, but the data help to strengthen the arguments of left-wing politicians. The burden of the argument is that to vote intelligently is to vote the liberal (Democratic) ticket, or for one's self-regarding economic interest.

There are several strange paradoxes in this book. For example, the authors would build a classless society by appealing to class interests. Most liberals will agree that we should abolish the remaining remnants of the economic plutocracy operating within the framework of American democracy, but they may not share the authors' hopes that the voters can play an active rôle in correcting the socio-economic maladjustments caused by the industrial-technological revolution. Can the voters ever do much more than say "yes" or "no" to the plans proposed?

All will agree that we should consider both the ends and the means of democracy, but the fundamental question is, will we any longer have a democracy when egoism has supplanted altruism as the motivating ideal in education, philosophy and politics? The authors accept the institutional and behavioristic theory that "it is not what a man knows but what he wants that determines conduct" (p. 294). They get onto solid ground when they oppose bossism and party control. With their plea for a practical program of leader-

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ship training and with their general program for improving the economic welfare of the people few will disagree; with their methods and attitudes many will disagree.

Whether the attitude of sophisticated selfishness should supplant the ethic of the Golden Rule is a question students of public affairs should carefully consider. Altruistic conduct, these economists say, may work in face-to-face groups like the family, but is less likely to work in larger organizations, much less so in city, state or national affairs, and "it is almost if not wholly nonexistent in world relationships" (pp. 314-315). One wonders if the authors have never heard of the Social Security Act, the International Red Cross, the humanitarian work of the League of Nations, the International Labor Organization, the Rockefeller Foundation, not to speak of the unselfish work of the churches in foreign fields. This is a stimulating and provocative book which social scientists should read with care.

RUSSELL H. EWING

THE UNIVERSITY OF NORTH CAROLINA

The British War Economy, 1939-1943. By MARY E. MURPHY. With an Introduction by Herman Finer. New York, Professional and Technical Press, 1943.—xiv, 403 pp. $2.50.

Dr. Murphy has written the most comprehensive account of Britain's war mobilization program. There emerges from this able study the blueprint of the new administrative state. As the year 1914 terminated the epoch of international laissez faire, so the year 1939 marks the end of domestic laissez faire.

Today Britain stands as the most intensively mobilized democracy in the history of government. The nation's income has expanded from the pre-war level of six billion pounds to nearly nine billion pounds, and of this amount more than sixty per cent is diverted to the war effort. Of Britain's total working-age population of thirty-three million, more than twenty-three million are engaged full time in some essential sector of the war. Virtually every person who could be spared from civilian work has been moved into position on the working or fighting fronts. Britain's mobilization of resources is substantially completed.

Hence it is an appropriate time, first, to survey these policies, and, second, to analyze their effectiveness. The first task Dr. Murphy has undertaken with admirable fortitude and thoroughness. She describes (1) the organization of the Ministry of Economic Warfare

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and its efforts to enforce the blockade by means of contraband control, navicerts and blacklists; (2) the expansion of domestic production under the Ministries of Supply, Aircraft Production, the Production Executive and, ultimately, Sir Oliver Lyttleton's Ministry of Production; (3) the concentration of production program designed to release manpower and materials from wasteful employment; (4) the policies for the organization of manpower—the industrial and military conscription of both men and women, the control of employment, the training and transfer of labor, the limitation of strikes, and the efforts to protect the health of the workers as well as to stabilize wages; (5) the Treasury's financial policies; (6) the curtailment of consumption; (7) the production and distribution of food; (8) the controls of foreign trade, transportation; (9) the social effects of the programs for civil defense, evacuation, housing, social security and welfare; (10) and the plans to prepare for Britain's transition from war to peace. Wherever relevant, attention is given to the policies of Anglo-American collaboration.

An undertaking of this exhaustive scope is indeed extraordinary, and it is not surprising that the exposition suffers from the compression of much factual material. Nor is it unexpected that the second task, that of critical evaluation of Britain's experience, at times is inadequately performed. In particular the treatment of administrative organization is largely descriptive. There are other minor criticisms. Dr. Murphy states (pp. 143, 249) that the British government sought to prevent a rise in prices of more than 130 per cent above the 1938 level; she really means 30 per cent.

American administrators and economists have already benefited from Britain's experience, but we can learn still more, especially in the fields of manpower, finance, rationing, the concentration of production and the decentralization of administration. In these fields American policies are still some years behind those of England. One cannot study these pages without admitting that, although the British may have an inveterate propensity to muddle, at least they have muddled *through* to adopt a mobilization program more comprehensive and integrated than the United States has yet accepted. And what is most significant is the fact that all Britain's organization of her economic life has been achieved with astonishingly little limitation of democratic rights. This is striking proof that a democracy can mobilize its power, given the necessary time after the outbreak of war, without losing the precious freedoms for which it fights.

WILLIAM STEELE MCCAULEY

SMITH COLLEGE

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Banking and Finance in China. By FRANK M. TAMAGNA. With a Preface by T. V. Soong. New York, Institute of Pacific Relations, 1942.—xxi, 400 pp. $4.00.

This extensive study forms a part of the Inquiry organized by the Institute of Pacific Relations into the problems arising from the conflict in the Far East. In three time periods—from the end of the thirteenth century to the rise to power of the present Kuomintang or "People's Party" in 1927, the Chiang Kai-Shek régime to July 1937, and the war period to the end of 1941—the author outlines and discusses in detail the growth of financial institutions, banking operations and practices, foreign banking interests and influences, national (governmental) financial policies and struggles, and the strong trend from the independence of the native banks (at the end of the first period) toward state capitalism, which seems increasingly the objective of the National Government since 1927.

Dr. Tamagna is difficult to follow in the final chapter on post-war problems. While emphasizing the critical need for tremendous amounts of new capital for reconstruction, monetary reform and industrial development, he seems opposed to public loans abroad, even suggesting that foreign countries voluntarily wipe out or readjust pre-war as well as war loans, "in order to avoid political controversies arising from a repudiation by China." China will be only one of a numerous company when the lend-lease problem arises, but repudiation of pre-war obligations to non-enemy nationals — many already severely readjusted—would not be propitious for the attraction of new capital from abroad. Neither intergovernmental loans or taxation is likely to supply any considerable amount of capital. Except the United States—for which such a policy would be almost unprecedented in peacetimes—all will be seekers of capital, while, even before the vast destruction and dislocation of war, taxation in China was inadequate for governmental expenses, necessitating huge and costly domestic loans, the servicing of which was a ruinous drain on the national revenues.

Dr. Tamagna subdivides the three main sections of his book into chapters on "Native Banks", "Foreign Banks" and "Modern Chinese Banks". The charge is clearly implied that the native and foreign banks were on the whole non-constructive influences. He makes the extraordinary statement (p. 118), "While native and foreign banks undoubtedly served legitimate and genuine economic needs, both prospered on the misfortunes rather than the fortunes of

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the country." As a matter of fact the large international foreign banks were oases of stability in the first decade and a half of the Republic and on the whole coöperated with the principal modern Chinese banks in the following period of financial reform in promoting stable financial and economic conditions.

It is regrettable that in the large number of detailed data supplied by this study there are many errors of fact and implication. The Huhuang Railway Loan *was* issued to the extent of 6 million sterling. The "trust receipt" is not an export device but a document by which the importer is permitted to obtain delivery of the goods after accepting the relative "documents against payment" time draft. In general it releases the exporter (abroad) from recourse. The case cited illustrates the chicanery of some importers rather than any defect in the legal status of the trust receipt.

The National City Bank of New York did not acquire control or direction of the International Banking Corporation until 1915. The Deutsch-Asiatische Bank did not close in 1914 or cease to be a depositary of customs revenues until 1917. Chinese foreign trade in 1926 was nearer $3 billion than the $3 million figure given.

The American Group withdrew from the first Consortium under pressure from President Wilson who idealistically objected to the control of salt revenues accorded the underwriting banks in the Reorganization Loan agreement of 1913, a control that ultimately built up those revenues into the National Government's second best stable income producer.

This useful work merits an early revision to eliminate these and similar errors.

C. R. BENNETT

HANOVER, N. H.

The International Economic Law of Belligerent Occupation. By ERNST H. FEILCHENFELD. Washington, Carnegie Endowment for International Peace, 1942 (Agent, Columbia University Press, New York).—xii, 181 pp. $1.50.

This book might well be taken as a model for the legal treatment of a complicated subject of international law. The author, well known for his pioneering contributions to the literature of international economic and financial law, skilfully combines the static and dynamic aspects of the law. Most of the book deals with the interpretation of the relevant articles of the Hague Convention on land warfare supplemented by other sources of law concerning the rights

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of property, contract, and economic activity in occupied areas. The author, however, points out in the introductory chapters the ways in which changes in conditions may affect the interpretation and application of these rules. Changes in normal law, such, for instance, as extensive governmentalization of economic activities in time of peace, may have important effects upon the rights and duties of military occupants. "It is not the function of the international law of war", writes Feilchenfeld, "to oblige belligerents to create war-time paradises which nobody is under an obligation to establish even in peacetime. There is a tacit but fundamental assumption, frequently overlooked in treatments of the subject, that the international law of peace contains the optimum for the international law of war" (p. 18).

Changes in the percentage of civilians engaged in war work, changes in the relative importance of economic, psychological and military warfare in the total war effort, changes in the normal respect paid by government to civil rights, may also have modified certain of the assumptions upon which the static law of military occupation rested during the nineteenth century. These dynamic factors must be considered not only by the international legislator in codifying the subject, but also by the international court in interpreting and applying the law. Throughout his treatment of the law as it is, Feilchenfeld has had in mind the influence of such factors upon interpretation of the texts and precedents.

Among matters of contemporary interest touched upon, but which might well have been further elaborated, are the rights of an exiled government if its territory should be reoccupied by an ally (p. 7), and the difference in the powers of an aggressor or a victim occupant of territory as compared with the powers of a lawful belligerent occupant (pp. 23, 110, 128). The author deals with the peculiarities of various types of occupation other than the usual belligerent occupation, such as those under armistices, under treaties, and in the course of reprisals (chap. 5). He also considers the requirements, such as the making of a treaty or acts of recognition by third states, necessary to convert an occupation or even a subjugation into an annexation (p. 110). Throughout he emphasizes the varying degrees of precariousness of a government's control of territory as an important element in assessing the legal value of that government's acts (pp. 4-5).

The author's statements of the law are brief and precise and are accompanied by an explanation of the principal precedents. The reviewer found little to criticize in Feilchenfeld's exposition of the

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law. A question might be raised in respect to the statement that "unlike requisitions, contributions do not involve compensation" (p. 41). It is true, compensation for contributions is not specified by the Hague Convention but a receipt is required as it is for requisitions. It might be held that a claim to eventual compensation is implied by the contributor's receipt, by the provision of the Hague Convention that "private property cannot be confiscated", and by the distinction drawn by the Convention between contributions on the one hand and collective fines and taxes on the other. Contributions may differ from requisitions mainly in the lesser temporal urgency of compensation. Compensation of contributors has usually been a consideration in the general financial adjustment of peace treaties.

The book has a comprehensive bibliography and is well indexed. It will be welcomed by international lawyers. Many of the questions discussed are at present arising in connection with occupied areas and more of these questions will arise in the future. It is to be hoped that the literature of international law will be enriched by other studies blending with equal skill the static and dynamic aspects of particular problems of that law.

QUINCY WRIGHT

THE UNIVERSITY OF CHICAGO

Fact and Fancy in the T. N. E. C. Monographs: Reviews of the 43 Monographs issued by the Temporary National Economic Committee. Compiled by JOHN SCOVILLE and NOEL SARGENT. New York, The National Association of Manufacturers, 1942.—xvi, 812 pp. $3.00.

This volume consists of a compilation of reviews of the 43 monographs which were published by the Temporary National Economic Committee on the general subject of concentration of economic power in the American economy. The reviews were compiled and edited, under the sponsorship of the National Association of Manufacturers, by John Scoville, Chief Statistician of the Chrysler Corporation, and Noel Sargent, Secretary of the National Association of Manufacturers.

The procedure employed in the preparation of reviews of 39 of the 43 T. N. E. C. monographs was the same, according to a summary of such procedure in the preface (pp. ix-x). Each of the 39 monographs was submitted to an individual believed by the compilers "to be highly competent in the field involved" in the particular monograph. Many of the persons selected "were academic

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scholars who not only were theoretically familiar with the subject matter but also in most cases had years of practical experience in the field." Also, several corporations "lent the services of their economists in the prosecution of this project." Each person so chosen "was asked to prepare a scientific review of the monograph, setting forth both its virtues and faults." The original review, thereupon, was submitted "for appraisal to another competent individual in the same field." Each original review of a given monograph and the appraisal of such review were scrutinized by Messrs. Scoville and Sargent and, in each case, some changes were made—"in nearly all cases of minor significance but in others of major importance." The compilers, therefore, accept final responsibility for the reviews, "although the larger part of the review texts was prepared by outstanding authorities in the fields covered." The National Association of Manufacturers provided the funds for producing this volume of reviews but, in the words of the preface, "in no way interfered with the full expression of opinions by either the reviewers or appraisers."

A different procedure was employed in the preparation of reviews of four of the T.N.E.C. monographs: those pertaining to life insurance (Nos. 2 and 28 of the series), the one on patents (No. 31), and the one on the petroleum industry (No. 39). In the case of the two monographs dealing with life insurance, the compilers of the volume of reviews "insert without change the criticism submitted to the T. N. E. C. by the executives of five life insurance companies, an analysis of the monographs appearing in the *American Economic Review*, and a letter submitted to Senator O'Mahoney by Leroy A. Lincoln, President of the Metropolitan Life Insurance Company." The review of the monograph on patents is the exact text of a study by George E. Folk, patent adviser to the National Association of Manufacturers, which is included in his recent book on *Patents and Industrial Progress*. The review of the monograph on the petroleum industry consists of the text of "a critical review submitted to the T.N.E.C. by the presidents of the Standard Oil Company of New Jersey and the Sun Oil Company," to which the compilers have added "a very brief critical note on one point".

This volume of reviews includes numerous excerpts from the monographs being reviewed, a few charts, numerous statistical tables pertaining to topics under consideration, and expressions of opinion of the reviewers on the manifold subjects discussed in the 43 T. N. E. C. studies. Although some of the reviews are brief, most of them

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are quite detailed in character. Several of them are more than twenty, and one is over sixty, pages in length.

This series of reviews of the T. N. E. C. monographs should be helpful to all students of business and the economic system who desire to make an appraisal of the factual data and opinions contained in such monographs. A more objective point of view should result from consideration of a given monograph and its review than from either considered alone.

THOMAS J. ANDERSON, JR.

NEW YORK UNIVERSITY

Early Pythagorean Politics in Practice and Theory. By EDWIN L. MINAR. New London, Connecticut College, 1942.—ix, 143 pp. $2.00.

The attempt of the Pythagoreans to establish the domination of a religious or semi-religious hierarchy over an area of considerable extent is a unique phenomenon in the history of ancient Greece, which was otherwise of a very secular character. The history of the initial success and final failure of this attempt should therefore be of special interest to the student of political institutions.

Unfortunately the history of this experiment is obscured by the fact that most of the extant tradition concerning it is late and anything but reliable. During the last few decades, however, many scholars have tried to separate fact from fiction and to show which parts of the late tradition can be traced back to earlier and more reliable authors. The present study is the first attempt to give an integrated account of Pythagorean politics and political theory on the basis of these laborious investigations.

In the first four chapters the author discusses the gradual expansion of Pythagorean influence in Southern Italy from c. 530 to c. 450 B. C., the downfall of the Pythagorean "empire" in the middle of the fifth century, and the survival of Pythagorean influence in various communities down to the middle of the fourth century. The last chapter deals with the interrelations between the philosophical doctrines of the Pythagoreans and their political activities.

In the opinion of this reviewer the author is right when he rejects the exaggerated skepticism of some scholars concerning the value of even the earliest Greek tradition. But his analysis seems marred by a certain lack of subtlety in his evaluation and interpretation of the sources and, above all, in his own inferences concerning the nature of the political principles and activities of the Pythagoreans.

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On page 111 the author contends that "the Pythagorean ideal was simply that of an oligarchy, or better an aristocracy of the landed nobles." History undoubtedly presents many examples to show that a landed aristocracy may enter into a close alliance with a religious hierarchy or even become subservient to it. But to say that the ideal of a society which requires its adepts to pass through a five years' period of silence (the author accepts this as a fact) before they can attain a place in the hierarchy is simply the ideal of a landed aristocracy must certainly appear inadequate to anyone who has ever seen a landed aristocracy in the flesh, whether in England, France, Germany, Italy, or even in Spain or India.

In the author's opinion (p. 16) an ancient statement which says that "Pythagoras' disciples administered the state very well so that it was *almost* an aristocracy" proves conclusively that the Pythagoreans had officially established themselves as the only legal authority in the state (not, as others believe, that they had merely obtained actual control of the administration). This they are supposed to have done without encountering any opposition from the landed aristocracy, which had dominated the state before the arrival of Pythagoras. The wording of the statement quoted hardly justifies such extremely improbable conclusions.

It would, however, be unjust not to mention that the study under review is a conscientious piece of work, which contains not only a complete collection and detailed analysis of the relevant ancient tradition concerning the Pythagoreans, but also a discussion of many points which serve to illustrate the general political background. Since the author presents the most important passages of the ancient tradition in good English translations his study will certainly be very useful to the critical reader.

KURT VON FRITZ

COLUMBIA UNIVERSITY

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BOOK NOTES

Carl Sandburg is both a poet and an historian. In *Storm over the Land: A Profile of the Civil War* (New York, Harcourt, Brace and Co., 1942; 440 pp. $3.50) he is, sometimes, the one and, sometimes, the other. Most of the time he combines the best in each and presents good history with strength and imagination. Now and then, however, the poet gets the best of the scholar and the reader is not quite sure where Sandburg leaves off and sober fact begins. This "profile of the Civil War" is taken largely from Sandburg's larger work on Abraham Lincoln. That fact determines the approach taken and the point of view maintained throughout the book. The Olympian figure of the war president moves through the story to set its values and to give meaning to the struggle. That, of course, leaves it just where it has been in the schoolbooks for the past seventy years. The story of Fort Sumter has not been revised by reference to the researches of Ramsdell and Tilley. The campaigns on the Virginia front do not exactly accord with the picture now unfolding in Freeman's *Lee's Lieutenants*. Grant is something more of a perfect hero than some critical scholars have found him to be, and Sherman is all that Lloyd Lewis makes him out to have been in his highly friendly biography. Yet where in orthodox history can one find such a description of Andrew Johnson's nomination to the vice presidency as this: "In the poverty and obscurity of his early days he was compared to Lincoln. In the choice of him by the convention was a touch of the unreal, of a guess in twilight and prayers such as fishermen say when violence of wind and water lash a boat and the steersman can only hope." Where is the Gettysburg Address better described than in these words: "His outwardly smooth sentences were inside of them gnarled and tough with the enigmas of the American experiment." Such writing justifies any book. It makes the telling more important than what is told. It gives more than passing value to a book that probably contains about all the truth that the American people are yet prepared to receive about the Civil War.—AVERY CRAVEN, The University of Chicago.

A Decade of Sectional Controversy, 1851-1861 (Chapel Hill, University of North Carolina Press, 1942; xi, 284 pp. $3.50) by Henry H. Simms, modest in its title and in its scope, serves as a useful

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review of developments in the last decade of the sectional controversy. The author commits himself to the interpretation that in the struggle the political factor emerges more conspicuously than any other. This explains the virtual limitation of his account to the political narrative. A preliminary chapter, however, surveys the institutions of the Old South and a later one appraises the economic factors in the sectional divergence. The latter ignores such bonds between the sections as were found in the mercantile and banking interests of the North, and his bibliography omits Philip S. Foner's recent monograph on *Business and Slavery*, which was brought out by the same publisher. In the political narrative, the main facts of the secession crisis of 1850-51 are summarized, without, however, adequate appraisal of its serious character. Indeed, the scope of the movement for Southern "nationality" is scarcely suggested in the volume. Only three-quarters of the text is given to the developments after the election of 1852. The chapters on the repeal of the Missouri Compromise and on the struggle in Kansas are essentially routine, although the former stresses the Supreme Court clause in the Kansas-Nebraska Act. This thread is again followed in a chapter on "The Supreme Court and Slavery" which considers not only the Dred Scott case but other constitutional issues of the decade. A chapter on "The Controversy over the Free Negro" suggests the hypocrisy of the racial prejudices of the antislavery forces. The tensions of the sectional controversy are duly traced to the outbreak of armed strife. The tone of the treatment is restrained. In a few cases the author plays up Northern extremists with a subtle suggestion of their being typical, whereas he once refers to the rôle of a Southern fire-eater with the comment, "but he was an exception" (p. 153). In general, however, one just cannot get excited over the author's judgments—or the lack of them. The author has made a judicious use of recent biographies, monographs and monographic articles, although an occasional reference cites Rhodes without any apparently good reason. The list of newspapers in the bibliography is impressive but short shrift had to be made of their contents in a text of such brief scope.—ARTHUR C. COLE, Western Reserve University.

Those concerned with this field have long known that Professor T. W. Schultz is one of our most discerning students and critics of agricultural policy. He reinforces this view with his succinct but meaty *Redirecting Farm Policy* (New York, The Macmillan Co.,

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1943; vii, 75 pp. $1.00). As is indicated by the title, Professor Schultz thinks our current farm policy is defective and must be reshaped if it is to meet our war and post-war problems. The basic difficulty he believes is that prices, which are essentially *means* of directing economic activity and production, have become *ends* of government policy with unfortunate results for food output and the distribution of incomes in agriculture. This has come about because our current farm problems—which are largely those of production to meet United Nations' needs for food and fiber—must be approached through a government policy carried over from depression days, a policy the ends of which are phrased in terms of "parity prices" and "equality for agriculture", rather than in terms of maximum output of war essential crops and livestock. The two problems of optimum production and of optimum incomes are distinct, Professor Schultz emphasizes, and the former is primary today. Prices therefore should be manipulated so as to secure maximum production of vital commodities and minimum output of items which we have in surplus or which are not essential. This cannot be done so long as government policy seeks to restore price relationships in some base period in order to improve farm incomes. To enable the price mechanism in agriculture to perform its directive function most efficiently, Professor Schultz would have the government announce prices at the beginning of each production period, so that farmers could plan output far ahead without the costs and uncertainties of present price fluctuations. The income problem, Professor Schultz believes, should be met primarily by provision of supplementary income—in kind perhaps as well as in money—for low income farm families, and this should be distributed in accordance with a population policy that recognizes low income farm families as a major contributor to our future manpower. Professor Schultz's book is an excellent stimulant. One wonders, however, whether the selfish economic and political forces which have determined agricultural policy can be overcome to the extent necessary for his suggestions to be put into effect.—HARRY SCHWARTZ, Washington, D. C.

The Revolutionary Committees in the Departments of France, 1793-1794 (Cambridge, Harvard University Press, London, Oxford University Press, 1943; xii, 238 pp. $2.50), by John Black Sirich, like *The Jacobins* of Crane Brinton and *The Incidence of the Terror* of Donald Greer, which it aims to complement, furnishes a corrective to the thesis that the history of Paris is the history of France and

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challenges accepted explanations of the Terror. Sirich concludes "That local influences were stronger than events in Paris in determining the intensity of the Terror in the departments" (p. 206). He traces the establishment of the committees of surveillance, March 1793, their transformation in December (14 *frimaire*), their composition and functions, and their relations with the central and local administration. Originally instituted to register foreigners, the committees expanded their jurisdiction when assigned local enforcement of the Law of Suspects, the *Maximum*, the draft, and the *Ventôse* decrees. Extensive supervision of all individuals in their districts inevitably resulted, but the committees functioned differently in various departments, and general appraisal should not be based on notorious cases like Nantes or Lyon. Sirich removes from the committees chief blame for the Terror in the provinces. Sirich offers several new points or interpretations of the departmental Terror. He asserts that the establishment of the committees was primarily a Girondist move to counterbalance the Paris sections. The overwhelming number of persons arrested were Frenchmen of the upper classes, strangers to the locality, rather than foreigners. The committees, composed of artisans and workers, manifested a "hit the rich" policy in many areas, attesting class hatred, and, in the fall of 1793, many applied Hébertism, by encouraging abdication of priests and seizure of the wealth of the churches. The fall of Robespierre did not mark the immediate cessation of the provincial Terror. The committees disappeared only gradually after August 1794. One could wish that all dates were given according to the Christian calendar, more space devoted to the functioning of the committees in the spring of 1794, and added bibliographical information about the sources supplied. Records in fifteen departmental archives were studied, which suggests the wealth of local history that may be obtained from the records of the committees of surveillance. Like its companion volumes, the book is admirably planned and written. During a period necessarily void of French Revolutionary studies, Sirich has added a significant chapter to the history of local law enforcement and of departmental machinery of the Terror.—BEATRICE F. HYSLOP, Hunter College, New York City.

If you want a serious, painstaking, yet highly readable account of what has been happening in Italy in the last five years, you should read *Italy from Within* by Richard G. Massock (New York, The

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Macmillan Co., 1943; viii, 400 pp. $3.00). Mr. Massock was chief of the Rome Bureau of the Associated Press from 1938 until December 1941. This is not the usual correspondent's book. There is little personal history. Yet what there is seems exceedingly pertinent to the story. If the book has one fault, it lies in trying to include too much. Mr. Massock might better have left out the story of the Matteotti murder and the early days of fascism which has been told and retold in other places. However, his thoroughgoing background in European diplomacy and power politics lends authority to his carefully told story of democratic and totalitarian political intrigue through the 1930's. Italy's recent history is here in full: Ethiopian foolishness, Spanish intervention, Albanian conquest, Italy's nonbelligerency (the blessed state), Greek tragedy and finally the German invasion. Italy, always desperately poor in natural resources and industrial equipment, was exhausted from the Ethiopian and Spanish campaigns. She was not ready to fight when Hitler invaded Poland. In fact, a secret part of the German-Italian military pact permitted Mussolini a three-year period of preparation. Incidentally Hitler appears to have surprised his close Axis partner by taking over Austria, whereas Mussolini did the reverse in Greece. Mr. Massock provides some valuable economic evidence of severe inflation, marked rises in the cost of living (from an index of 83 in 1936 to 128 in 1940—1928 equals 100), black market purchases, and serious deterioration of quality, especially in bread and spaghetti, despite desperate government efforts to control the markets. The rich and fascist grafters seem able to get enough to eat, but the poorer classes are badly off. In addition, the tendency toward ever greater concentration in industry persists. There are amusing stories here too—such as Starace doing the Lambeth walk at the British embassy. The reader will also find confirmation of several rumors, such as the failure of Italian bribery to win an easy victory in Greece. The Greeks used the money to fight the Axis (150,000,000 lire). There are repeated stories of summer clothing for winter campaigns, inefficient supply corps work, political interference in the army, and insufficient fuel for the navy and air force. Under the domination of Hitler, Italy exports 300,000 or more Italian workers to Germany along with large quantities of food needed at home, sulphur, mercury and silk, in return for inadequate supplies of German coal, steel, machinery and munitions. At least 250,000 unpopular German armed forces, various government commissions and Gestapo agents

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keep the Italian homeland in check. The Italians have been defeated by the fascist party and the Germans. — HENRY S. MILLER, Queens College.

Lord Liverpool and Liberal Toryism, 1820-1827, by W. R. Brock (Cambridge, at the University Press, New York, The Macmillan Co., 1941; vii, 298 pp. $2.25), is the Thirlwall Prize Essay of 1939, revised and extended. It shows none of the signs of having been prepared for publication during the author's military service, except a few odd contradictions, but it is regrettable to see British scholarly works printed on the gray, brittle paper which has lasted so badly in books published in similar circumstances twenty-five years ago. The study is valuable chiefly for the light thrown upon Liverpool himself and upon the nature of Parliament and its politicians after the Napoleonic Wars. In particular, the infiltration of laissez faire and free trade ideas into ruling circles, their persistence there from as early as 1812, the early alliance (1814) of Liverpool and Huskisson, and the weight of the "commercial interest" in Parliament are well substantiated. The Philosophical Radicals and the "financial interest" are barely mentioned. A good deal of light is thrown upon the limiting circumstances in Canning's career. Liverpool emerges as a respected, hard-working, forward-looking leader, whose sincerity and firm convictions enabled him to unite the Tories, keep out the Whigs, and stand up to George IV and the Duke of York. In the opening pages rather too much is claimed for him and for "Liberal Toryism". It would seem appropriate to describe Liverpool as being aware of, and responsive to, growing new forces rather than to claim much more. The principal defect of the book is its neglect of what was going on generally in England in order to concentrate narrowly on the interplay of a very small group of politicians against a generalized Parliamentary background, a defect which is accentuated by postponing consideration of the political economy of the times until the sixth chapter. We are told that Liverpool was a spectator of the attack on the Bastille, and we hear of repressive public policies in England, but 95 per cent of the population exists for the reader only as dim and distant masses to be kept from revolution. One never learns why they might want to make one. There is much discussion of the Corn Law and yet no explicit facts or figures on Britain's dependence on imported grain. The impression is given that prosperity returned, as it were for good, in the mid-twenties and

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"the very suspicion of revolution had vanished", whereas 1830-32, 1837-39 and 1848 stand to the contrary. The author avoids the economic and social history which would have given his study greater substance.—J. B. BREBNER.

Among the volumes recently added to the Canadian-American Relations Series, an outstanding number is *British Columbia and the United States: The North Pacific Slope from Fur Trade to Aviation* (Toronto, The Ryerson Press, New Haven, Yale University Press, London, Oxford University Press for the Carnegie Endowment for International Peace, 1942; xv, 408 pp. $3.50) by F. W. Howay, W. N. Sage and H. F. Angus, and edited by H. F. Angus. The topic of this study is mainly political and regional in character, being an account of the relations between Americans and British (including Canadians) in the area north of California and west of the Rocky Mountains. These relations began in the maritime fur trade of the last quarter of the eighteenth century and have continued in various forms down to the present day. Together they provide the chief bond of unity throughout the volume. The division of labor among the three authors is explained in the Introduction. It is also evident in the text through minor inconsistencies in style, emphasis and judgment. Otherwise the editor has succeeded in welding his diverse materials into a homogeneous whole. The book is large and deals with a wide variety of subjects, including the fur trade, transportation, settlement, boundary disputes, mining, lumbering and the fisheries. On the whole the criticism tends to be impartial, though the point of view is mostly British Canadian. One is conscious of this attitude particularly in passages dealing with the Hudson's Bay Company. Perhaps, however, certain circumstances obtaining in Old Oregon were conducive to praiseworthy conduct there more on the part of the British than on that of the Americans. In most respects the level of accuracy is high, though there are slips. The Massacre of Seven Oaks (p. 44) occurred in 1816, not in 1815. The bulk of the material used in the preparation of the book has appeared before in print, but never in one volume or with a similar purpose. The range of sources consulted is usually, though not invariably, wide enough, and the documentation is altogether satisfactory. An analytical table of contents goes far toward compensating for the absence of an index. The work is an important contribution in its field and should prove to be of permanent value. — DONALD J. PIERCE, Toronto, Canada.

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Dr. Dana G. Munro has long been interested in the republics south of the Rio Grande and has had extensive experience with the State Department and the diplomatic service in connection with those countries. Such background gives particular interest to his latest book *The Latin American Republics: A History* (New York and London, D. Appleton-Century Co., 1942; xi, 650 pp. $5.00). This volume is organized on the conventional plan. The colonial period is treated as a unit with chapters dealing with pre-Columbian America, the age of discovery, the development of the Spanish colonial system and a special chapter on colonial Brazil. Then follows a chapter on the movement for and acquisition of the independence of Spanish America and another on the problems which the new republics faced. About two thirds of the space is devoted to the history of the individual countries since achievement of independence. Two chapters are devoted to Mexico (48 pages) and the same number to the five Central American Republics (42 pages), while each of the remaining countries is treated in a single chapter (from 12 to 33 pages). The volume is concluded by a chapter on the relations of Latin America and the United States and another on Pan-Americanism and the war, thus bringing the story down to a very recent date. The text is readable and gives an excellent survey of the basic facts of history of the Latin American Republics. It is to be noted that in all the countries, except perhaps one, every individual who occupied the executive power has been listed with a brief characterization of the man or of his work. The emphasis is upon the political phases of the development, little attention being given to economic and social matters. The author seems to be quite confused as to the name he should apply to his fellow citizens and himself. At times he correctly calls them Americans in conformity with the name which was bestowed by the founding fathers by virtue of the designation that they gave to our country in the Constitution. At other times he calls them "North Americans", a non-distinctive generic term which is equally applicable to the Greenlanders, the Canadians, the Americans and the Mexicans. One wonders just what is to be achieved by applying an erroneous name to the citizens of this country. There are a number of maps and a selected bibliography of works in English designed as a guide to further reading on the subject. The volume is the result of the mature experience and teaching of Dr. Munro and will be extremely useful to students of Latin American political history.—ROSCOE R. HILL, Washington, D. C.

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During the period when the impact of the war on Latin American trade had Washington frantically debating emergency assistance, the United States Tariff Commission prepared a solid detailed analysis which has now appeared in revised form — *The Foreign Trade of Latin America* (Washington, United States Tariff Commission, 1942. Part I, vii, 100 pp., 20 cents. Part II [2 vols.], xi, 304 pp., 35 cents; xii, 326 pp., 40 cents. Part III, vii, 253 pp., 35 cents). Part I deals with the trade of the area as a whole, including an examination of commercial policy. Part II is devoted to analysis of the trade, balance of payments and commercial policies of the individual republics. A typical section on Chile, for example, includes data on physical characteristics, population, natural resources, commercial policy, trend and composition of trade, destinations and sources of goods moving in foreign trade, balance of payments with the United States. Part III provides individual analyses of some thirty leading export commodities, including data on production, export, trade barriers, competitive conditions, and the effects of the war. The brief sections devoted to the effects of the war tend to be the least successful portion of the work, since the situation is a constantly changing one and many of the current statistics are not being released for general consumption. The report is probably the most accurate collection of data on the trade of this area yet assembled and constitutes an unusually valuable manual on the foreign economic relations of the other American republics.—SIMON G. HANSON, Washington, D. C.

A Latin American Speaks, by Luis Quintanilla (New York, The Macmillan Co., 1943; ix, 268 pp. $2.50), is a volume which deals with fundamentals! It is surprising that the world crisis has not produced more of its kind. Let our research endowments take note. It is very well to stress poetry, music, literature and art; but attention should not be diverted from certain other very fundamental factors. We are still afflicted with too much superficiality; what Señor Quintanilla calls "Blah-Blah Pan-Americanism" is still too prevalent in many quarters. In chapters iv and v, which deal with living standards in the two Americas, the author points convincingly to the economic and technological problems which we confront, problems urgently demanding joint and impartial investigation. The volume is cleverly organized and brilliantly written. It is divided into three parts: "Intra-America", "Inter-America", and "Extra-America". The first deals with the culture of the Americas, broadly defined as their way of life. The second describes the salient aspects

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of inter-American relationships. The third is concerned with the security of the Americas, and correctly appraises the bulwarks, past and present. A note of optimism runs through the book, but it seems to be realistic optimism. Problems are emphasized, not ignored; and the author believes they can be solved if all Americans continue to work together in the spirit of the good neighbor. He has full confidence in President Roosevelt and Vice President Wallace. He favors an American league. He thinks the armies of democracy are bound to win in this global war. "Victory is near. The beast has lost. Man rises, once more." The reviewer has seldom read a more satisfactory book. Quintanilla is a Mexican.—J. FRED RIPPY, The University of Chicago.

British Enterprise in Nigeria (Philadelphia, University of Pennsylvania Press, London, Oxford University Press, 1943; ix, 330 pp. $3.50) by Arthur Norton Cook, Professor of History, Temple University, is a case study in British imperialism which is especially valuable at this time when British colonial policy is under scrutiny. As the author points out, a great deal has been written about imperialism in general, but there are few special studies of the subject. For his own area of investigation he has chosen the important but little-known colony of Nigeria. In this colony the British have had an unusual opportunity to develop and test the value of colonial administration by indirect rule, i. e., administration which utilizes as fully as possible native chiefs and native tribal organization. While Nigeria is not the first or the only part of the empire where the British have tried indirect rule, it is a colony peculiarly adapted to this type of administration. The climate is exceptionally difficult for the white man. Indeed, it is wholly unsuitable for white colonization, and even white administrators can stay in the country only for limited periods. Professor Cook has studied thoroughly the development and operation of indirect rule. His book is carefully documented and draws richly from official reports, but his sections on African exploration and his chapter on international rivalry in Nigeria would have been more convincing if he had made wider use of French and German sources. Professor Cook has spent some time in England and has had ample opportunity to talk with Lord Lugard and others who were leaders in the making of modern Nigeria. He has also had several interviews with Miss Margery Perham, an authority on indirect rule. These personal contacts have given him a sympathetic understanding of the problems of colonial administra-

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tion. At the same time, he has kept the detached point of view of a foreigner. Indeed, his book is of special value because it is the only study of British activities in Nigeria written by a foreigner. Professor Cook does not hesitate to point out certain weaknesses in the present operation of indirect rule. In spite of these weaknesses, however, he concludes that it is a fundamentally sound policy because its roots are "planted firmly in the soil of indigenous society". His impartial analysis and his clear presentation of his subject make his book an exceptionally valuable study of British imperialism in a tropical colony.—LOIS A. C. RAPHAEL, New York City.

It may surprise many who have thought of Burma as a faraway land of docile, rice-growing natives who worship in pagodas and do intricate and exquisite metal and lacquer work to know that there are electric lights in the pagodas, moving picture theaters in the village, and an efficient and inexpensive telegraph service linking it closely with the outside world. In *Modern Burma* (Berkeley and Los Angeles, University of California Press, 1942; ix, 381 pp. $3.00) by John L. Christian, the reader will find an exhaustive treatment of many phases of Burmese life, the consideration of which the world conflict has made vitally essential to both the conduct of war and the organization for peace. He will learn that although Burma has been united politically with India, she is related culturally to China, that "the Indian is regarded as a foreigner whereas the Chinese are considered as cousins." He will learn that there is little of the grinding poverty which is so distressing in neighboring India and China; that Burmese women enjoy equal rights by law and custom in property ownership, divorce, business and inheritance, and that women have served as members of the legislative council, municipal councils and as village "head men". He will learn that the famous Burma Road, once known as "the ambassadors' road", has for centuries permitted a straggling trade between Burma and China, which would have been much larger except for the diplomatic maneuverings and jealous competition of foreign Powers. Dr. Christian gives an excellent survey of the diplomatic background, as well as of the present political conditions. He asserts that by 1940, "with the single exception of the Philippines, no tropical appendage of any great power enjoyed a greater degree of autonomy than did Burma", and that "there is every reason to believe that Britain's pledge to grant progressive self-government to Burma will be fulfilled, dependent upon the development of political responsibility and experi-

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ence in that country." A substantial part of the book is devoted to a consideration of agriculture, commerce and industry, and one of the most interesting chapters is entitled "Burma and the Arts". Unfortunately from the standpoint of popular interest the book was written and printed in Shanghai before Japan's sudden and disastrous attack upon Great Britain and the United States. A brief epilogue analyzes the situation as it existed to the end of January 1942, but before Japan had conquered and driven the British from almost the entire country. Nevertheless, as the only authoritative recent study based upon personal observation and careful investigation, the book is an invaluable addition to the printed material in this field.—GRAHAM STUART, Stanford University.

The historian, the student and the general reader once again owe a debt of gratitude to Professor Edgar McInnis of the University of Toronto, this time for his book entitled *The War: Third Year* (London, Toronto, New York, Oxford University Press, 1942; xvii, 347 pp. $2.00). Like its two predecessors, the volume under review is a straightforward chronological account of a twelve-month period in the present conflict—the span covered in this case extending from the beginning of October 1941 through September 1942 and thus including the first nine months of our own direct participation in the hostilities. Within the chapters, which are really quarterly instalments, the organization is generally geographical. The book also contains the usual and convenient documentary appendix and a chronology which would be much more useful if it were a little fuller. As in the earlier volumes of the series, the language is very readable and the spirit of the whole venture is one of eminent fairness to all sides and parties. There is not much attempt at interpretation, while caution and moderation mark such judgments as *are* given expression. All these virtues have made Professor McInnis' books very popular as supplementary reading among the reviewer's students, who invariably like the smooth way in which the volumes integrate a crowded year's news. Future volumes might be even more valuable if each one were to contain an introductory chapter giving in brief compass the highlights of the military news included in the earlier books.—WALTER CONSUELO LANGSAM, Union College.

Plans for World Peace Through Six Centuries (Chicago, The University of Chicago Press, 1943; xiv, 227 pp. $2.50), by Professor Sylvester John Hemleben, takes a useful place in the long series of

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similar books which was launched in 1900 by W. Evans Darby's *International Tribunals.* Professor Hemleben's book in many respects replaces such more or less popular titles in English as Elizabeth York's *Leagues of Nations: Ancient, Mediaeval, and Modern* and William M. Alexander's *League of Nations in History*, but the scholar will still have to turn to C. L. Lange's *Histoire de l'internationalisme* and Jacob ter Meulen's monumental *Der Gedanke der internationalen Organisation in seiner Entwicklung.* Professor Hemleben has used the chronological scheme for organizing his materials. The early plans are summarized, those of the eighteenth and nineteenth centuries follow, and, finally, the projects of the first World War period are discussed. It is clear from the annotation and from the very useful bibliography that the texts of the plans have been read and that the principal monographic literature has been used. Professor Hemleben's conclusions and reflections are not very original. He attributes the failure of statesmen to adopt any of the plans prior to 1919 to the prevailing political ideas and institutions—the concepts of culture and of economics are entirely ignored. The blame is rather attributed to the system of alliances and the balance of power principle, and to the limitations of the Concert of Europe. A strong plea is made for the revival of the philosophy of the higher law of God as the necessary ethical restraint on nations. "That states, like individuals, are subject to moral precepts must be fully accepted, not only in theory, but in the actual relations of nations with each other. . . . If permanent peace is to be attained, men must turn to God for guidance and strength." The reader is in no way prepared for this conclusion by anything explicitly presented or stated in the discussion of the projects. It would be interesting to know how a Catholic student of this question, working within his frame of reference, would elaborate this thesis.—MERLE CURTI, University of Wisconsin.

Seeking to discover a way by which common forces in diverse nations may be observed and discussed, Ernest S. Griffith, in a series of lectures given at Swarthmore College and since incorporated into a book—*The Modern Government in Action* (New York, The Columbia University Press, 1942; vii, 91 pp. $1.00)—discards the traditional trichotomy of *legislative, executive* and *judicial* as "mere word rituals" and offers instead a terminology suited to the new activities of the state. Griffith classifies governmental action as occurring within the following operations: value formulation and adop-

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tion, leadership, popular influence and control, integration, planning of means, group adjustment, and research, the six major processes which he believes "are culturally inherent in the modern government in action, in the same sense that the legislative, the executive and judicial processes are culturally inherent in the police state of an individualist, expanding economy" (p. 36). By avoiding the pitfall of analyzing processes in terms of the conventional nomenclature and by substituting the use for the word, the author has presented a penetrating analysis of present-day but heretofore unclassified phenomena which may in the future seem more familiar than present institutions. Much obsolete verbiage and thought have been cleared away by his repudiation of current parlance in reference to governmental procedures, and, particularly, by his scotching of the separation of powers concept. The classification offered cannot be accepted as final, sufficiently descriptive or comprehensive to describe future government in toto. The hypothesis is still in the tentative stage, but, more important, the statement is incomplete because definitions of governmental action cannot result from one man's work alone but must emerge from the collective discussions and philosophy of contemporary scholars and administrators. Griffith's volume challenges political scientists to formulate values for future generations as adequate as those propounded by the late eighteenth-century philosophers for nascent democracy.—RITA DAVIDSON, New York City.

In the confusion of the present world political situation, it is once again a comfort and a help to be able to turn for guidance to the (sixteenth) annual volume edited by Walter H. Mallory under the title of *Political Handbook of the World* (New York, Harper & Brothers for the Council on Foreign Relations, Inc., 1943; 202 pp. $2.50). As in the case of its predecessors, the *Handbook* contains in succinct form necessary information, as of January 1, 1943, on the cabinets, parliaments, political parties, leaders and press affiliations of all the countries of the world. The range of states covered is from Nepal and Liechtenstein on the one hand to Great Britain and the United States on the other, including the League of Nations and the mandates. An especially useful feature is the inclusion of the parallel information on the various "governments-in-exile" and on such "overseas territories" as the Netherlands East Indies and Netherlands West Indies. The only country which was represented in the two previous volumes but is missing from the current one is Burma—presumably because of its occupation by Japanese forces.

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The summaries of the platforms of the chief political parties throughout the world are, as usual, well done and reliable. Handy, too, is the inclusion of the texts of the chief constitutional decrees of the Vichy government. The *Handbook* is still the most convenient and usable political reference work available.—WALTER CONSUELO LANGSAM, Union College.

The following volumes in COLUMBIA STUDIES IN HISTORY, ECONOMICS, AND PUBLIC LAW have recently been published, or are now in press.

#497—*Popular Free Thought in America, 1825-1890.*
By Albert Post. Price, $3.00

#498—*The Property Qualification for Members of Parliament.*
By Helen Elizabeth Witmer. Price, $2.75

#499—*Student Folkways and Spending at Indiana University, 1940-1941: A Study in Consumption.*
By Mary M. Crawford. Price, $3.50

#500—*Theodore Roosevelt and Labor in New York State.*
By Howard Lawrence Hurwitz.

#501—*American Negro Slave Revolts.*
By Herbert Aptheker.

#502—*The British Traveller in America, 1836-1860.*
By Max Berger.

#503—*The War Governors of the American Revolution.*
By Margaret Burnham Macmillan.

#504—*Free Thought in the United States, 1859-1915.*
By Sidney Warren.

#505—*The Jewish Community in Russia, 1772-1844.*
By Isaac Levitats.

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